PIMCO

1971 50 2021

Reconsidering and Simplifying Fixed Income

Fresno County Employees' Retirement Association

October 6, 2021

IMPORTANT NOTICE

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Disclosures

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CMR2021-0928-1853780

Biographical information

R. Matthew Clark, CFA, CAIA

Mr. Clark is a senior vice president and account manager in the Newport Beach office with a focus on institutional client servicing. Prior to joining PIMCO in 2002, he served as an officer in the U.S. Army for eight years, achieving the rank of captain. Mr. Clark currently serves on the board of directors of Working Wardrobes, an Orange County-based charity that helps individuals with employment barriers find meaningful work. He has 20 years of investment experience and holds an MBA from Harvard Business School. He received an undergraduate degree from Trinity University, San Antonio.

Brian Leach, CFA

Mr. Leach is an executive vice president in the Newport Beach office. He is a credit strategist and serves as head of PIMCO’s Americas credit product strategy team. Prior to joining PIMCO in 2013, he worked at Northern Lights Capital Group, a private equity firm focused on the money management industry. Previously he worked at BlackRock, where he evaluated and managed portfolios of private investment funds. He has 12 years of investment experience and holds an MBA in analytic finance and economics from the University of Chicago Booth School of Business and an undergraduate degree from Princeton University.

Benjamin Ruffel, CFA

Mr. Ruffel is an account manager in the New York office, working primarily with U.S. public pension plans. Prior to joining PIMCO in 2020, he worked in client services at NISA Investment Advisors, an institutional asset manager. He has six years of investment experience and holds an MBA in analytic finance from the University of Chicago Booth School of Business. He received an undergraduate degree from Washington and Lee University.

Executive Summary

- Despite current low yield environment, **bonds serve important roles in portfolios**:
  - Alpha has become even more important, so passive may not suffice
  - Given attractive risk-adjusted returns, credit exposure can be highly additive
  - **Navigating relative value is critical**, so fixed weightings of credit sleeves may be too restrictive

- A multi-sector approach could **simplify** the portfolio and give flexible credit exposure:
  - FCERA could **combine its discrete allocations** to high yield, bank loans/securitized, global bonds, and emerging markets into one or two **unified multi-sector mandates**
  - A mandate with a 1/3 high yield, 1/3 securitized or bank loans, 1/3 emerging markets benchmark could replace the current FCERA non-Core line-up
  - We believe this new allocation would complement well the existing Core allocation

- PIMCO has expertise constructing and managing customized multi-sector mandates
  - These mandates can be achieved with liquid or publicly traded securities, but **incorporating illiquid or private allocations could increase expected risk-adjusted returns**

As of 28 September 2021.
Refer to appendix for additional investment strategy and risk information.

Agenda

1. What is the role of fixed income?

2. Why active in fixed income?

3. The value of multi-sector credit mandates and manager consolidation

4. Why PIMCO for multi-sector strategies?

What is the role of fixed income?

Fixed income concerns in current low yield environment

Traditional Bond Benefits

Income/Total Return

- Fixed Income has provided a **stable source of income and total return**

Equity Diversification

- Fixed Income has provided **strong portfolio diversification,** particularly to equities

Capital Preservation

- Fixed Income has historically had **low volatility** and **limited drawdowns**

Current Concerns

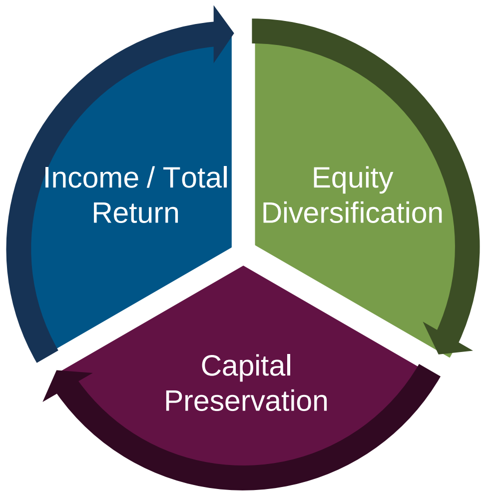
1. **Low starting yields imply lower future returns**
2. **Bonds may not diversify equities as well given more limited room for yields to rally**
3. **Rising rates or widening credit spreads will likely lead to losses given less cushion from low yields**

As of 30 June 2021. SOURCE: PIMCO. **For Illustrative purposes only.**
Refer to Appendix for additional investment strategy, outlook and risk information.

Bonds will likely provide key benefits despite near term challenges

Income / Total Return

- While lower yields will likely lead to lower future bond returns in **passive** approaches, **active** strategies may meaningfully enhance results



Equity Diversification

- Though starting yields are low, there is still further room to rally in a risk-off event
- Other high quality assets may serve as effective core complements

Capital Preservation

- Higher rates and spreads may be near term headwind
- Long-term investors may benefit from higher yields/spreads

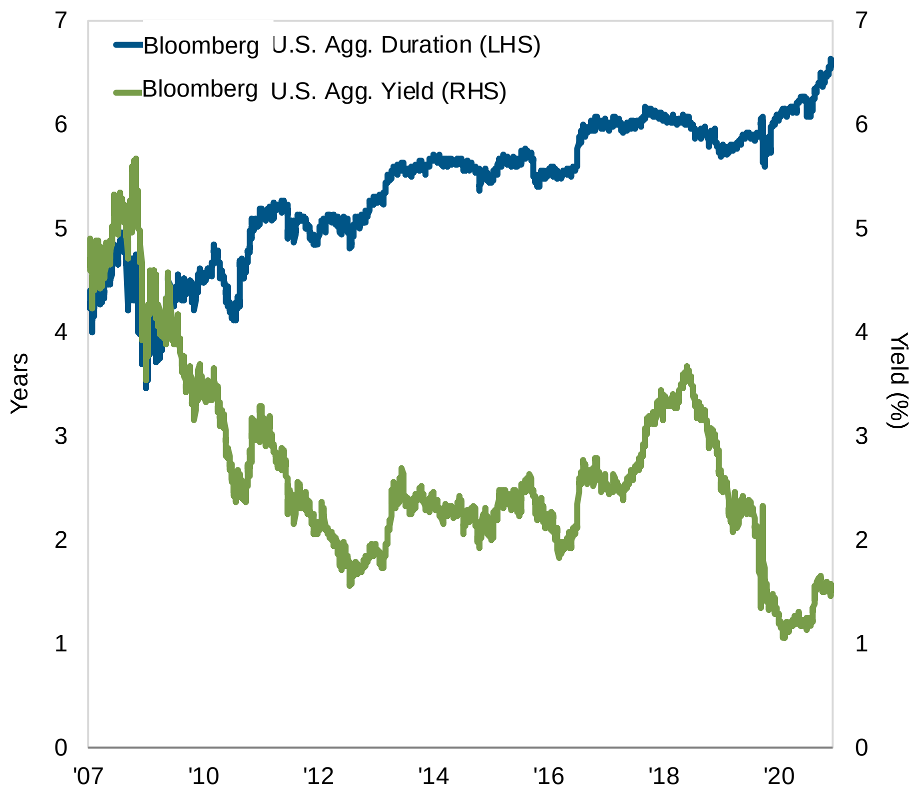
Tools Aimed to Improve Fixed Income Portfolio Outcomes

Broaden Opportunity Set	Active Management	Forward-Looking Approach (e.g. avoiding “timing traps”)

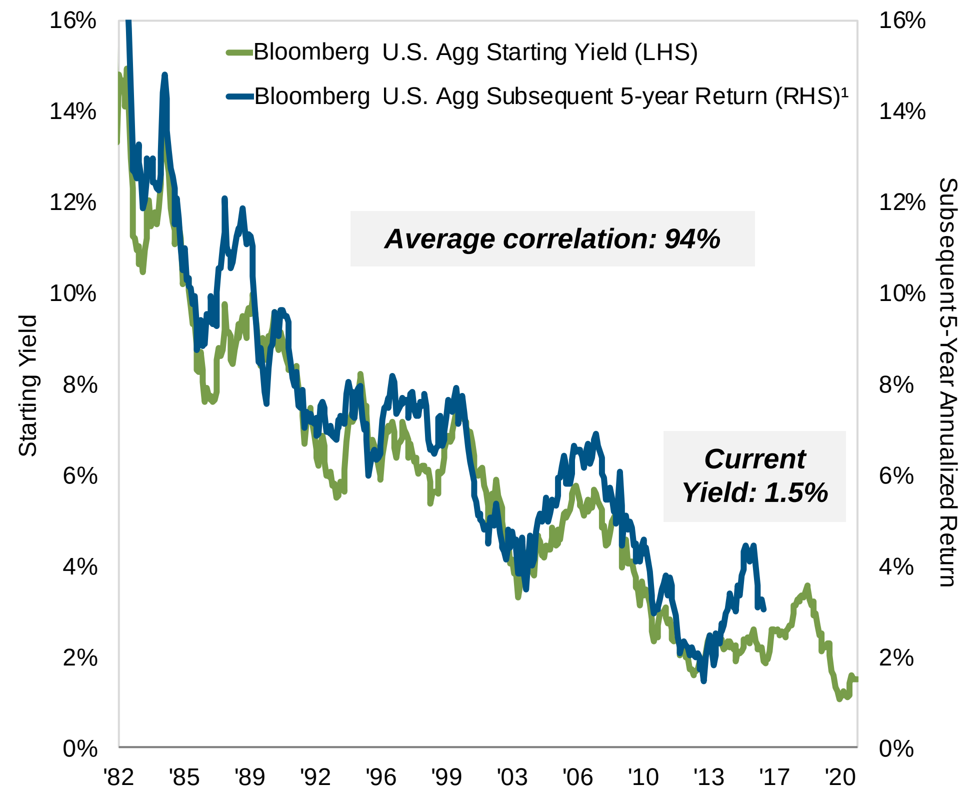
As of 30 June 2021. SOURCE: PIMCO. **For Illustrative purposes only**.
Refer to Appendix for additional investment strategy, outlook and risk information.

Do low starting yields imply lower future returns?

High quality bonds offer lower yields and increased duration risk



Historically, forward-looking returns of passive core bonds have been closely correlated to starting yields



Past performance is not a guarantee or a reliable indicator of future results.

As of 30 June 2021. SOURCE: Bloomberg,

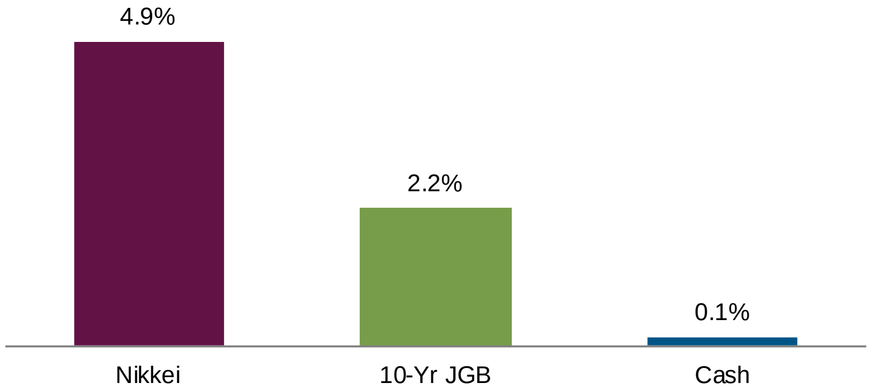
Refer to Appendix for additional index, investment strategy, correlation, outlook and risk information.

Treasuries can still produce meaningful returns at lower starting yields

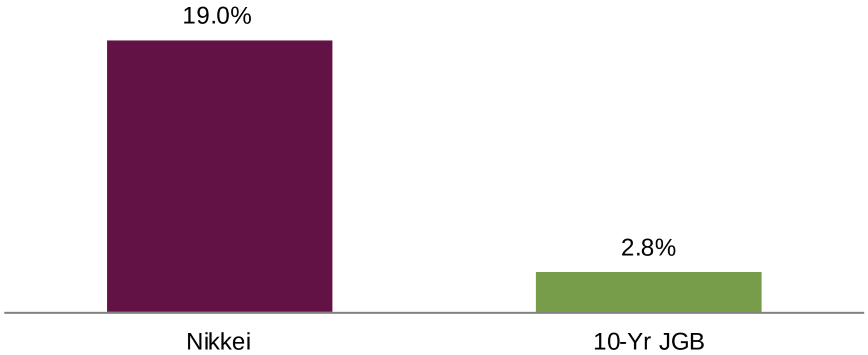
Using history as a guide: Japan and Europe

Rolldown* and further decline in yields from low levels supported absolute & relative returns

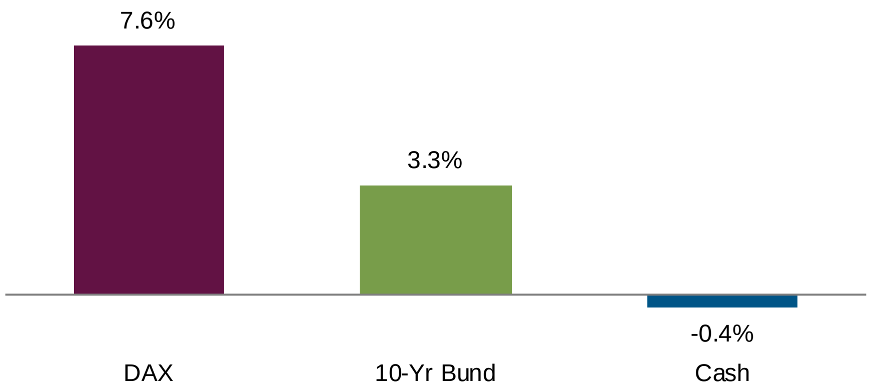
Investment in Japan
(annualized monthly returns since 1998)**



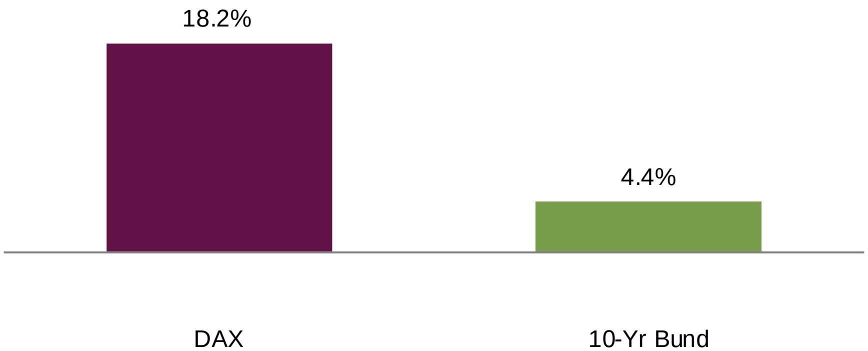
Volatility since 1998



Investment in Germany
(annualized monthly returns since 2014)**

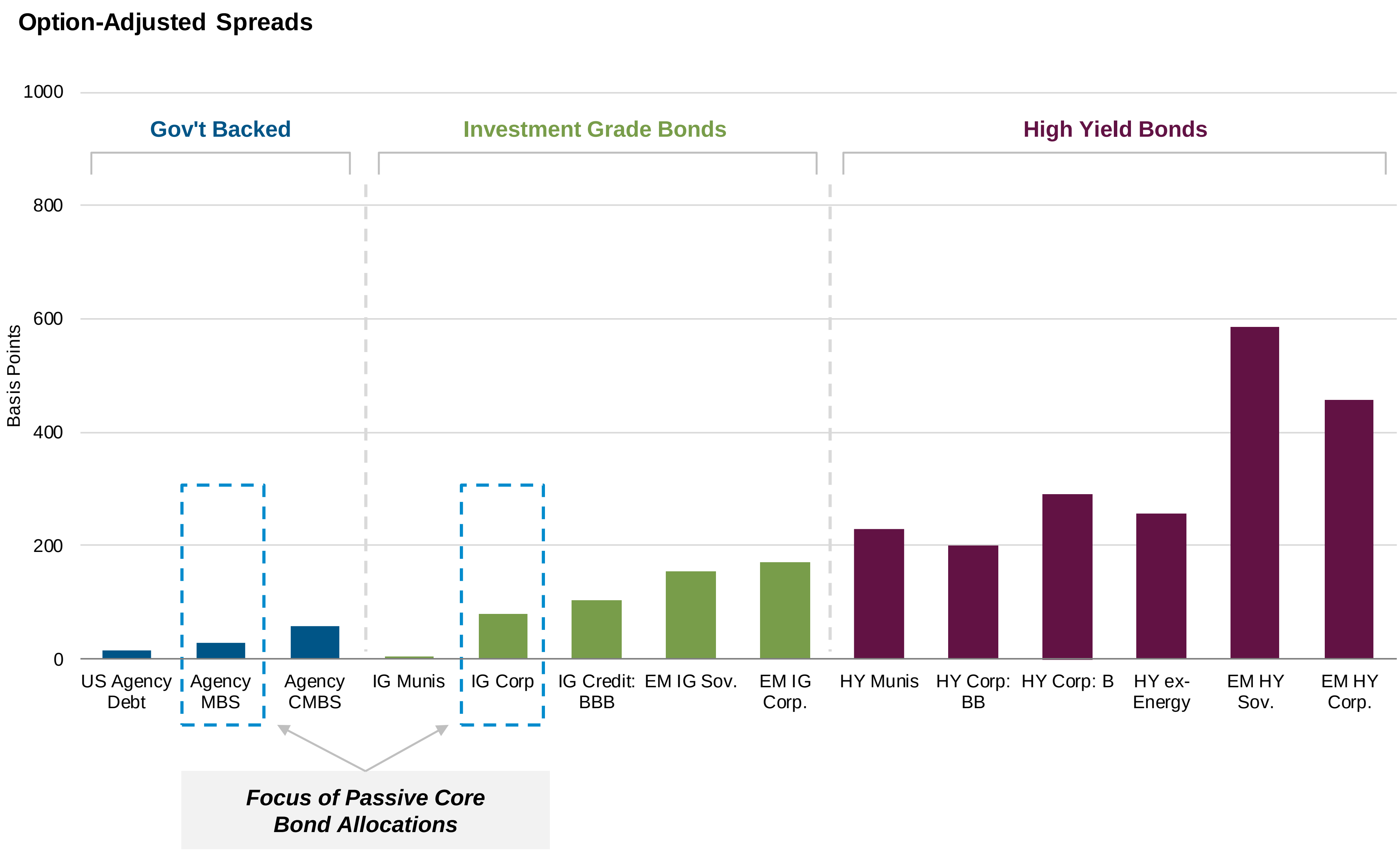


Volatility since 2014



As of 30 June 2021. SOURCE: PIMCO, Bloomberg.
*Rolldown is the estimated "pickup" from holding a bond for a full year and letting its maturity decrease, or "roll down" the yield curve.
**Starting period for Japan: December 1998, Germany: September 2014, representing the first time the 10-year yield fell below 1% in each respective country, subject to data availability of the indexes.
Cash are represented by the 1-month Yen LIBOR and 1-month Euro LIBOR. Volatility is the annualized standard deviation of monthly returns.
Refer to Appendix for additional index, investment strategy and risk information.

Credit remains attractive but risks should be carefully considered

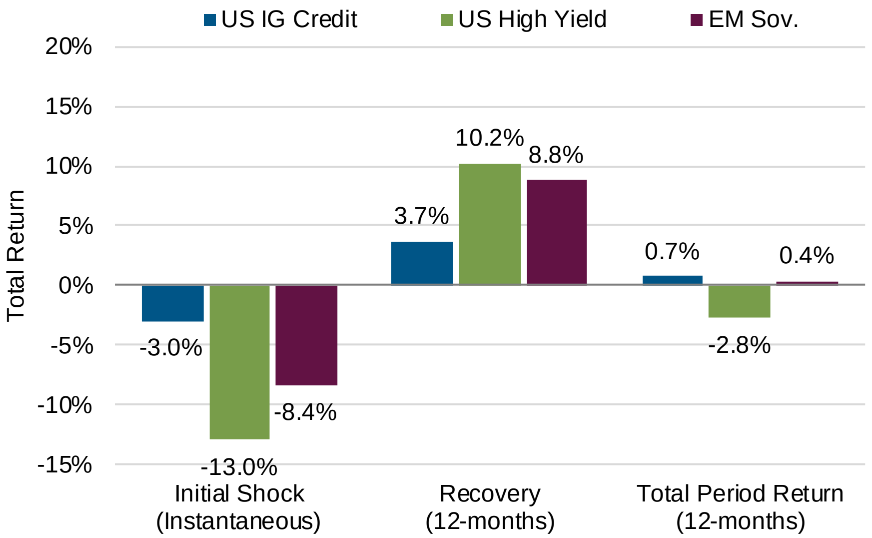


As of 30 June 2021. SOURCE: PIMCO, Moody's, Bloomberg. OAS is measured versus treasuries. Refer to the Appendix for more detail on proxies and data points used.
Refer to Appendix for additional index, OAS, outlook and risk information.

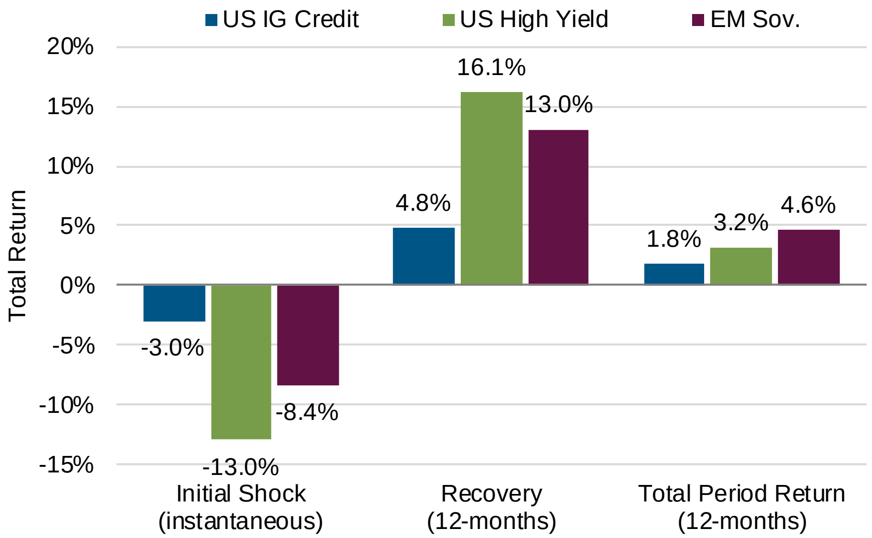
Will widening credit spreads lead to fixed income portfolio drawdowns?

Scenario Analysis: Credit spreads widen to the 80th percentile historical levels*

Credit spreads recover halfway to current levels



Credit spreads fully recover to current levels



- Widening credit spreads may lead to near-term price losses
- However, returns can potentially be recouped relatively through higher income and mean reversion of spreads

As of 30 June 2021. SOURCE: PIMCO. **Hypothetical example for illustrative purposes only.**

Indices: US IG Credit: BBG US Credit Index; US HY: BBG US High Yield Index; EM Sov: JPM EMBI Global index.

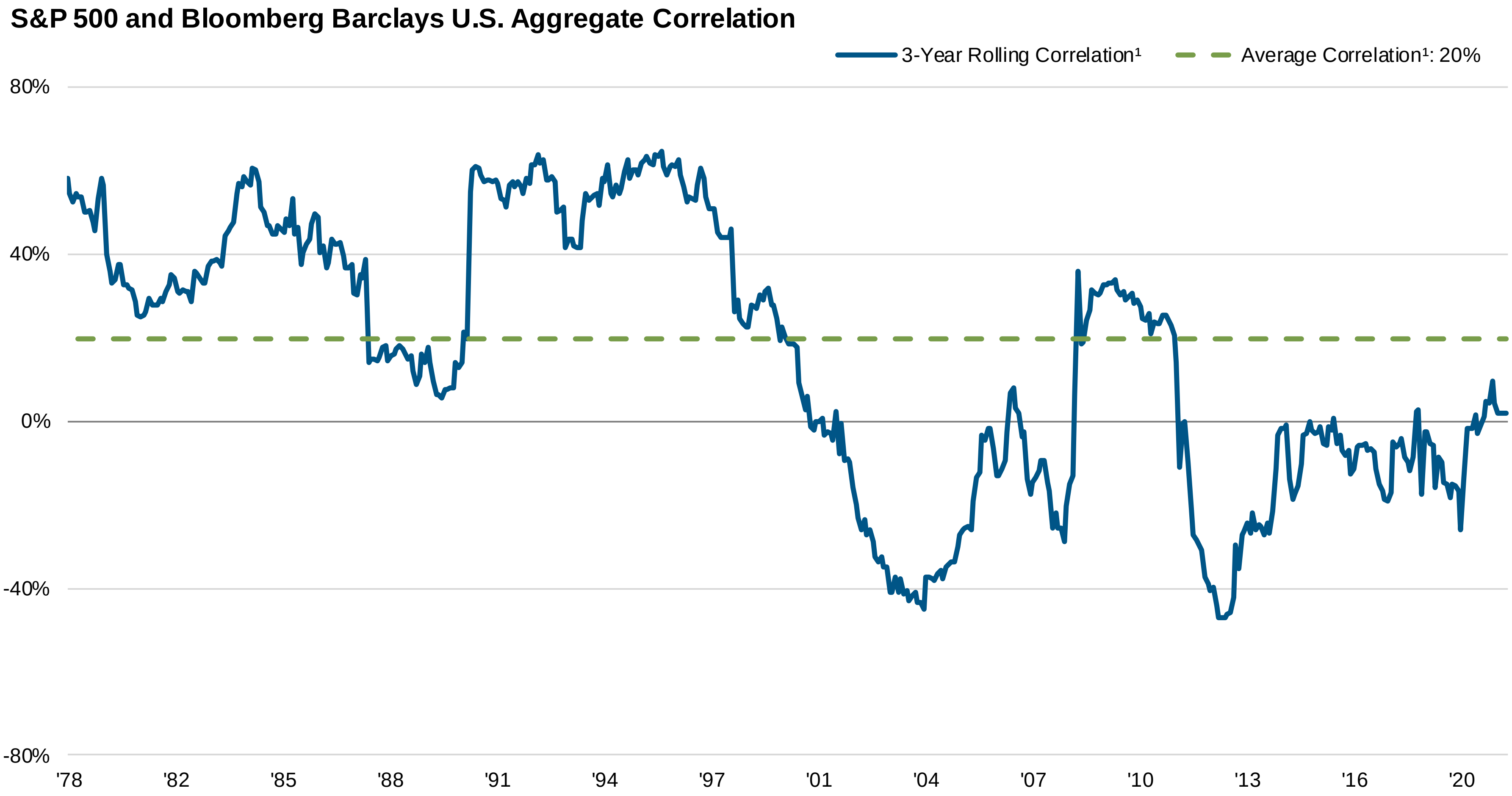
*Credit spread duration relative to common reference set of securities, in order to normalize spread duration exposures across securities with different risk levels. The widening shock is based on the 80th percentiles of IG and HY OAS (full recovery: US IG: -92 bps, US HY: -386 bps and half-way recovery: US IG: -46 bps, US HY: -193 bps). The 80th percentile spreads used were as follows: IG OAS at 169 bps and HY OAS at 653. Current OAS for IG and HY used were 77 and 267, respectively.

In the analysis contained herein, PIMCO has outlined hypothetical event scenarios which, in theory, would impact the asset class returns as illustrated in this analysis. In these scenarios we evaluate various risk factors and apply a specific hypothetical market shock to each. We then multiply the impact of the shocks by the risk factor exposure in each asset class. This allows us to model the potential impact on the performance of the asset class. No representation is being made that these scenarios are likely to occur or that any portfolio is likely to achieve profits, losses, or results similar to those shown. The scenario does not represent all possible outcomes and the analysis does not take into account all aspects of risk.

Refer to Appendix for additional hypothetical example, index, investment strategy, return assumptions, risk and stress testing information.

Equity Diversification

Fixed income has historically had low or negative correlations to equities



As of 30 June 2021. SOURCE: Bloomberg , PIMCO.

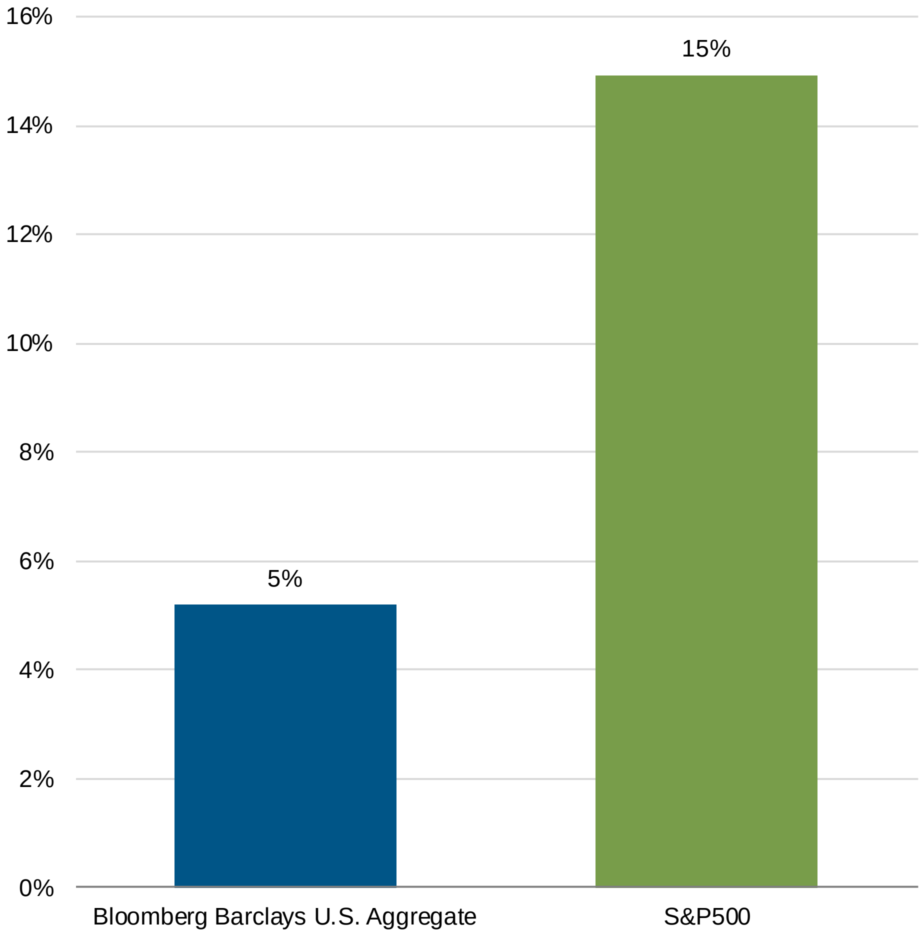
[1]Correlation is estimated with data between January 1976 and June 2021.

Refer to Appendix for additional correlation, index, investment strategy and risk information.

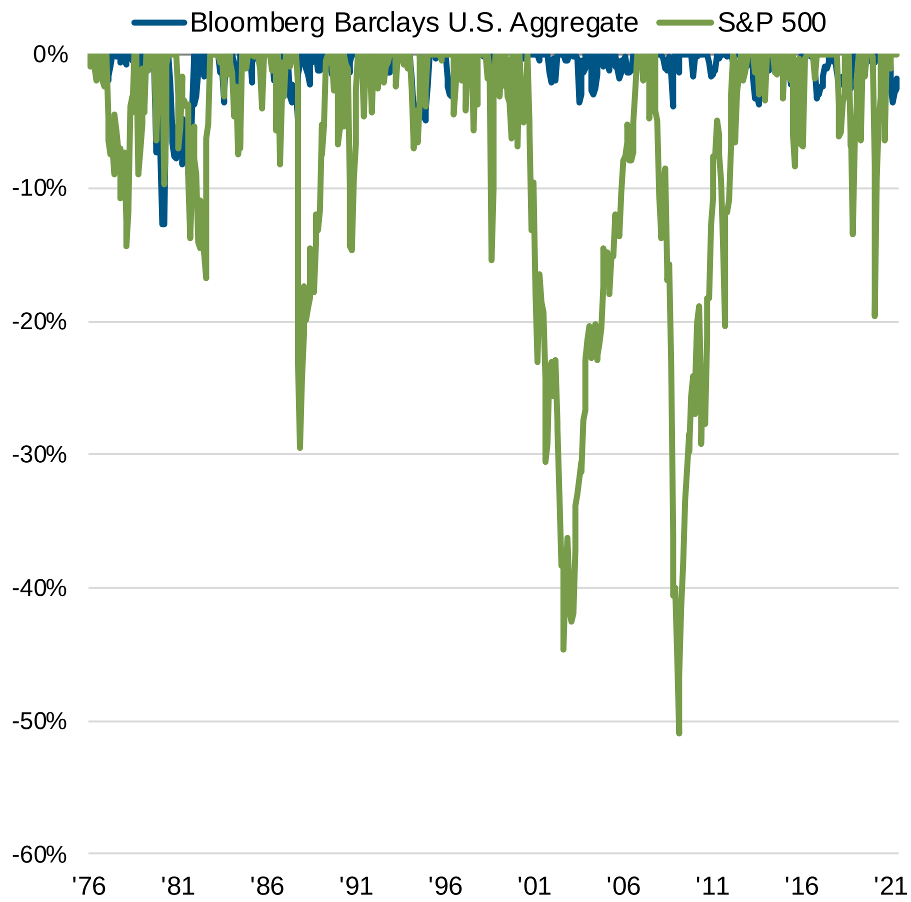
Capital Preservation

Fixed Income has historically had low volatility and limited drawdowns

Fixed income is on average much less volatile than equities (1976-2021)



More muted volatility has led to smaller drawdowns historically (1976-2021)

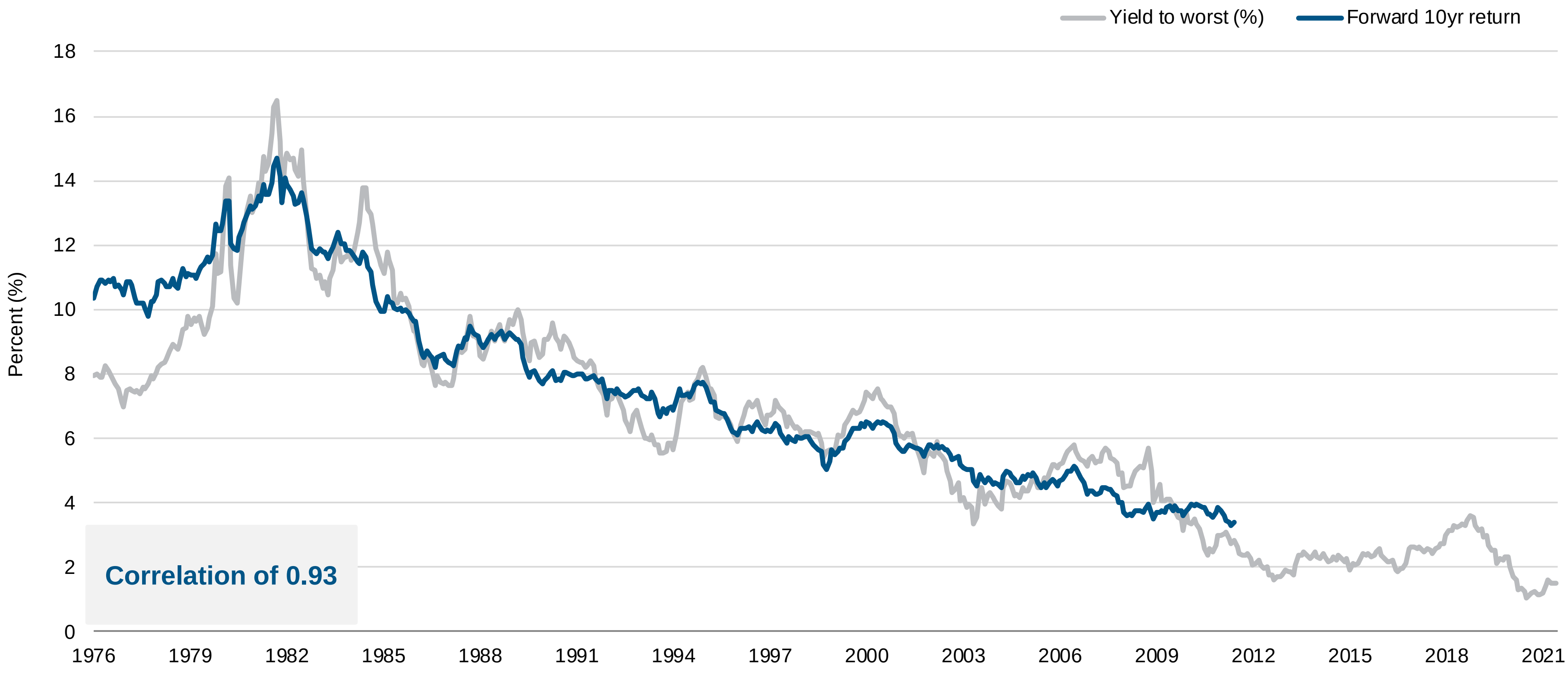


As of 30 June 2021. SOURCE: Bloomberg , PIMCO
Volatility (standard deviation) is measured by monthly average volatility and drawdown are estimated with data from 1976 to 2021
Refer to Appendix for additional index, investment strategy and risk information.

Why active in fixed income?

Why go active now?

Lower expected index returns make alpha more important than ever



As of 30 June 2021; Source: Bloomberg

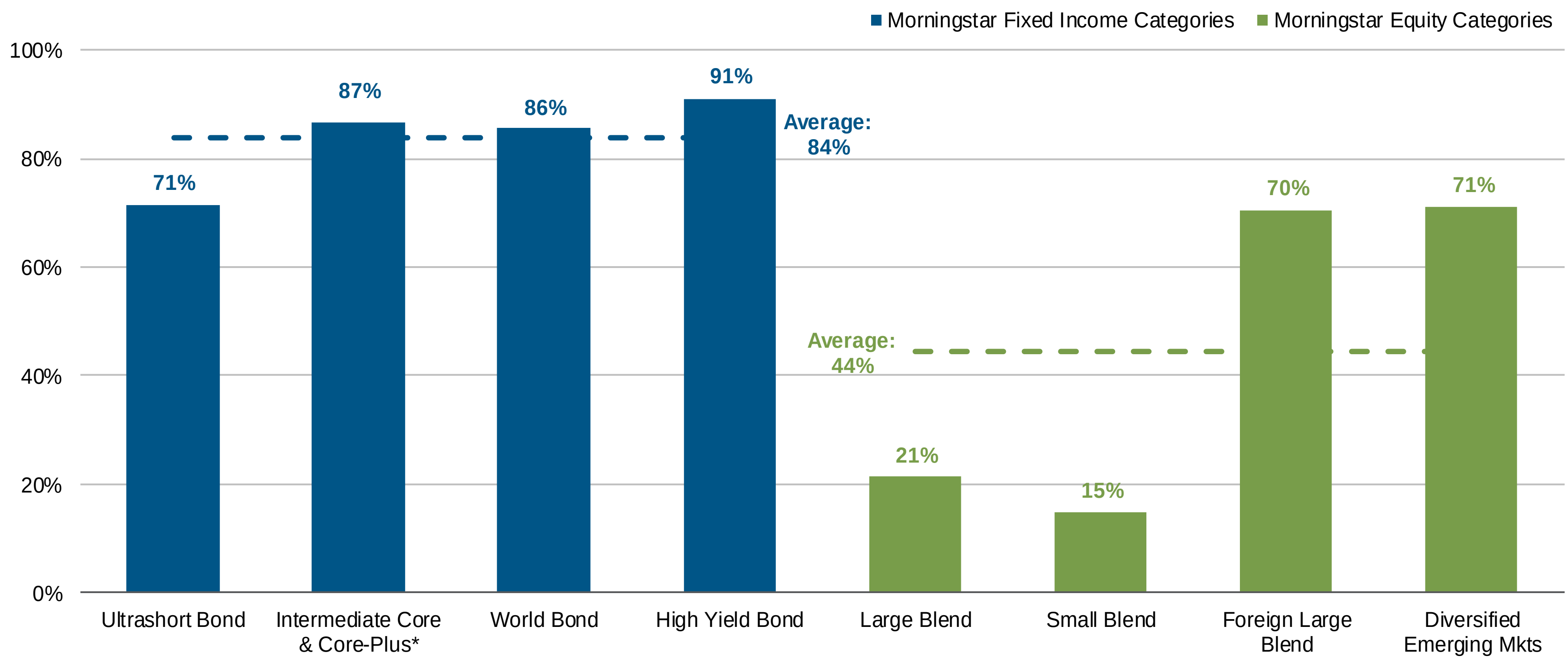
Past performance is not a guarantee nor a reliable indicator of future performance. Chart is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product.

Yield and return are for the Bloomberg U.S. Aggregate Bond Index. It is not possible to invest directly in an unmanaged index.

Refer to Appendix for additional correlation, index, investment strategy, outlook and risk information

Active fixed income management is even more important as alpha becomes a larger share of total return potential

Percentage of active funds within each category that outperform the median passive fund (10-year return)



Historical Alpha	34 bps	52 bps	144 bps	71 bps	-100 bps	-131 bps	34 bps	119 bps

* Combines the Morningstar U.S. Fund Intermediate Core and Intermediate Core-Plus categories.

As of 30 June 2021. SOURCE: Morningstar Direct. **Past performance is not a guarantee nor a reliable indicator of future performance.** Chart is provided for illustrative purposes and is not indicative of the past or future performance of any PIMCO product. Based on Morningstar U.S. Fund categories (Institutional shares only).

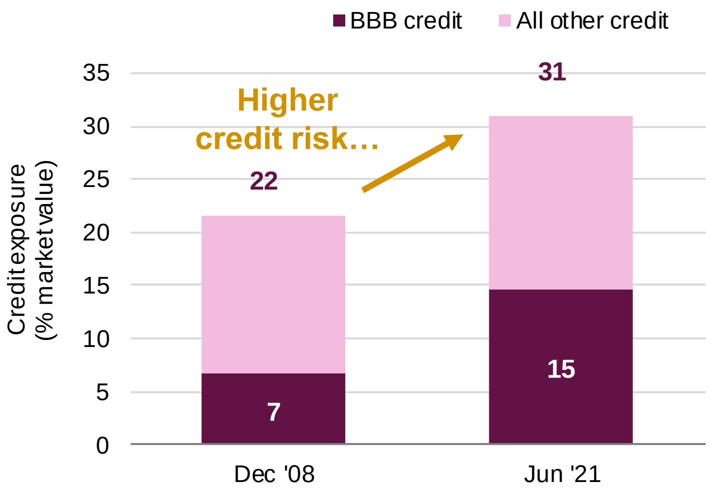
Note that in the case of some categories, the percentage of active funds that outperform the median passive fund is lower than the percentage of active funds that outperform their primary prospective benchmarks. The explanation for this is the range of benchmarks included in Morningstar categories. Some categories (such as Intermediate-Term Bond) contain funds with largely the same prospectus benchmark; others, such as Short-Term Bond, contain funds with a range of benchmarks.

Refer to Appendix for additional investment strategy, Morningstar categories and risk information.

Flexibility to avoid the less attractive risk-reward profile of the index

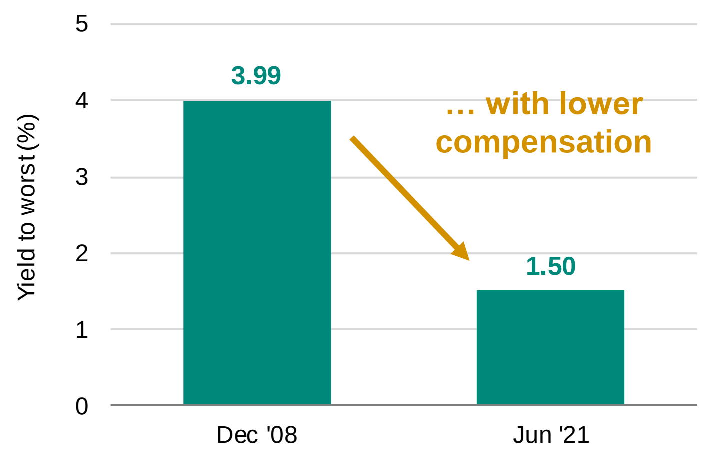
Characteristics of the Bloomberg U.S. Aggregate Index (shown below) have changed significantly since 2008

Credit risk



The lowest quality portion (BBBs) of the index has disproportionally grown alongside an overall increase in credit exposure

Compensation for risks



Meanwhile, The yield has fallen despite elevated risks and the potential for a true credit cycle – with downgrades and defaults – to unfold

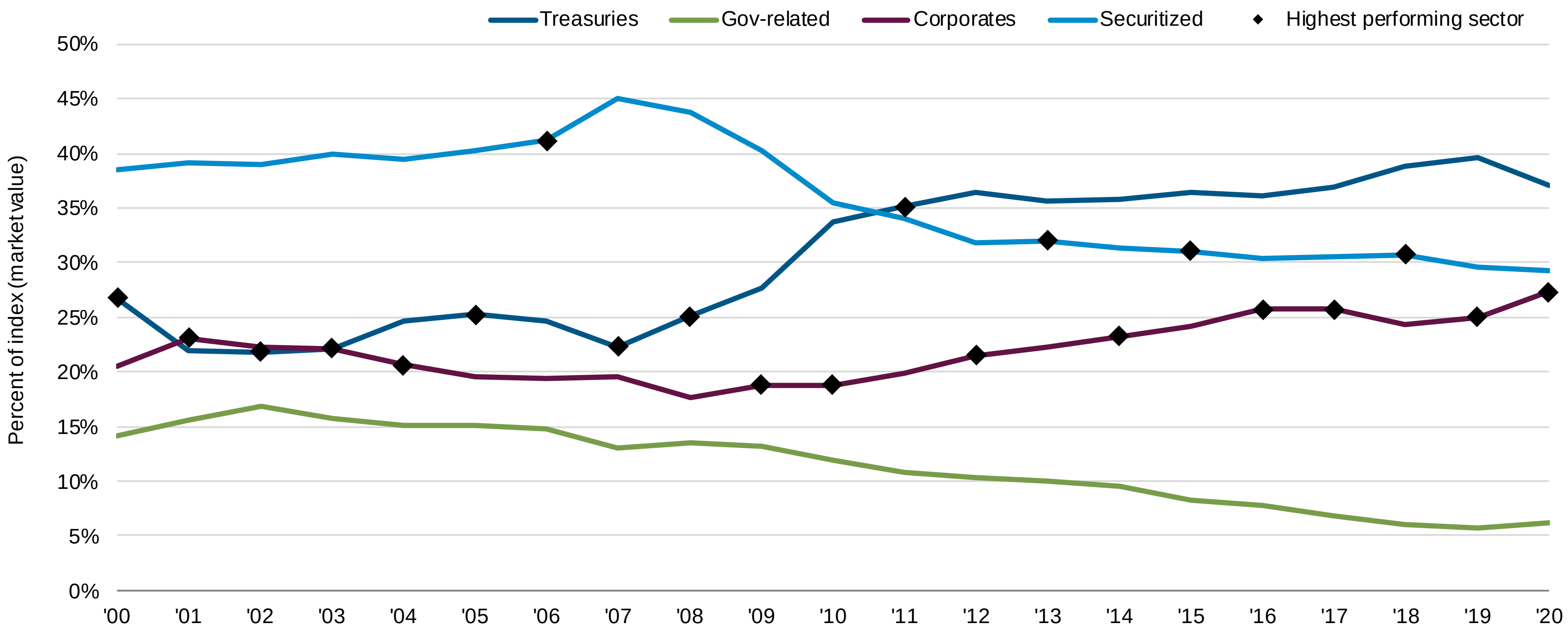
As of 30 June 2021; Source: Bloomberg.
YTW represented by the Bloomberg U.S. Aggregate Bond Index.
Past performance is not a guarantee or a reliable indicator of future results. There can be no assurance that the above trends will continue.
Refer to Appendix for additional credit quality, index, investment strategy and risk information.

Bond indexes may not be stable

Sector performance of the Bloomberg U.S. Aggregate Index:

- The largest sector is usually not the highest performing
- Concentration in U.S. government securities is typically high as issuance volumes drive allocation

Sector weights of U.S. Aggregate Index

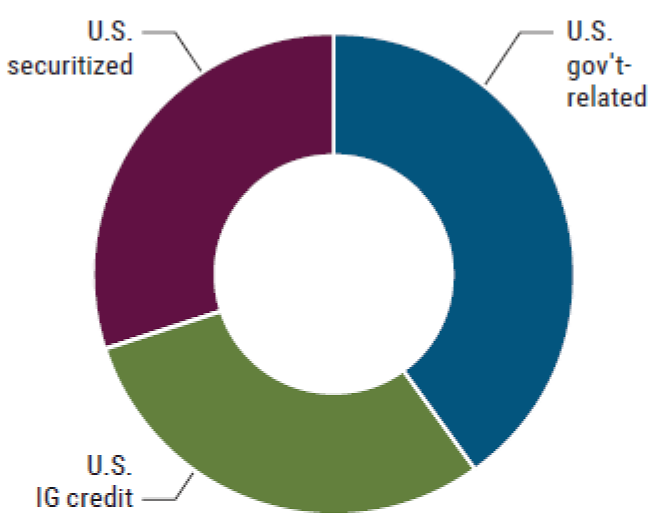


As of 31 December 2020
SOURCE: Bloomberg
Refer to Appendix for additional index and risk information.

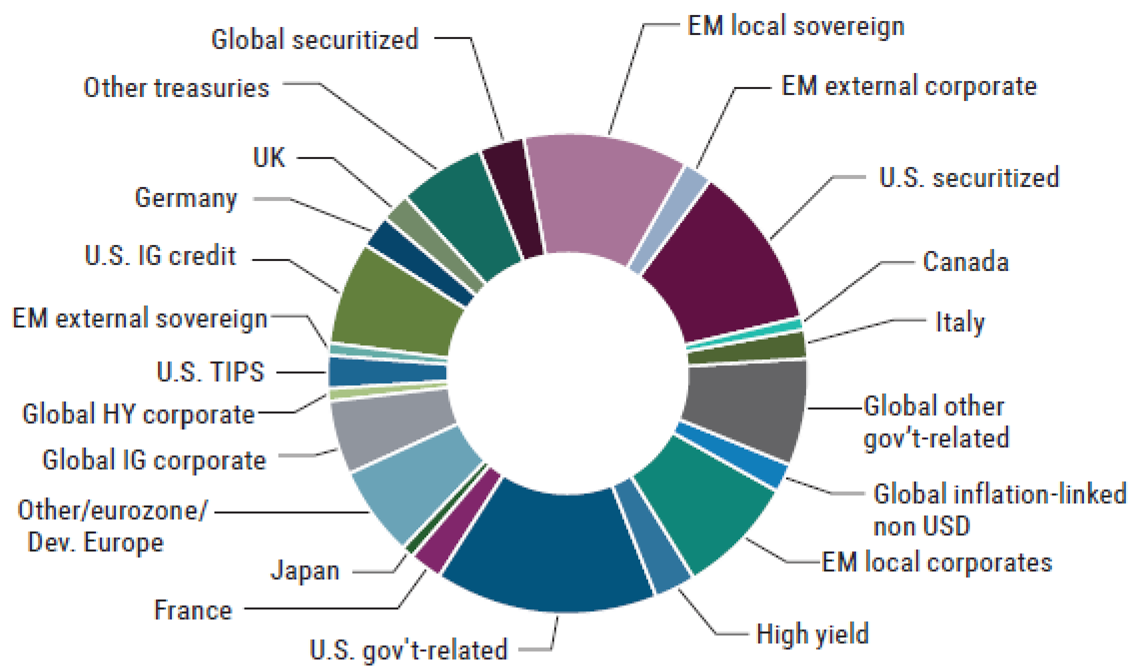
Why go active now?

Passive indexes often exclude attractively valued sectors of the bond market

SECTOR DECOMPOSITION – BLOOMBERG BARCLAYS U.S. AGGREGATE BOND INDEX



GLOBAL FIXED INCOME MARKET



For illustrative purposes only. Source: Bloomberg, SIFMA

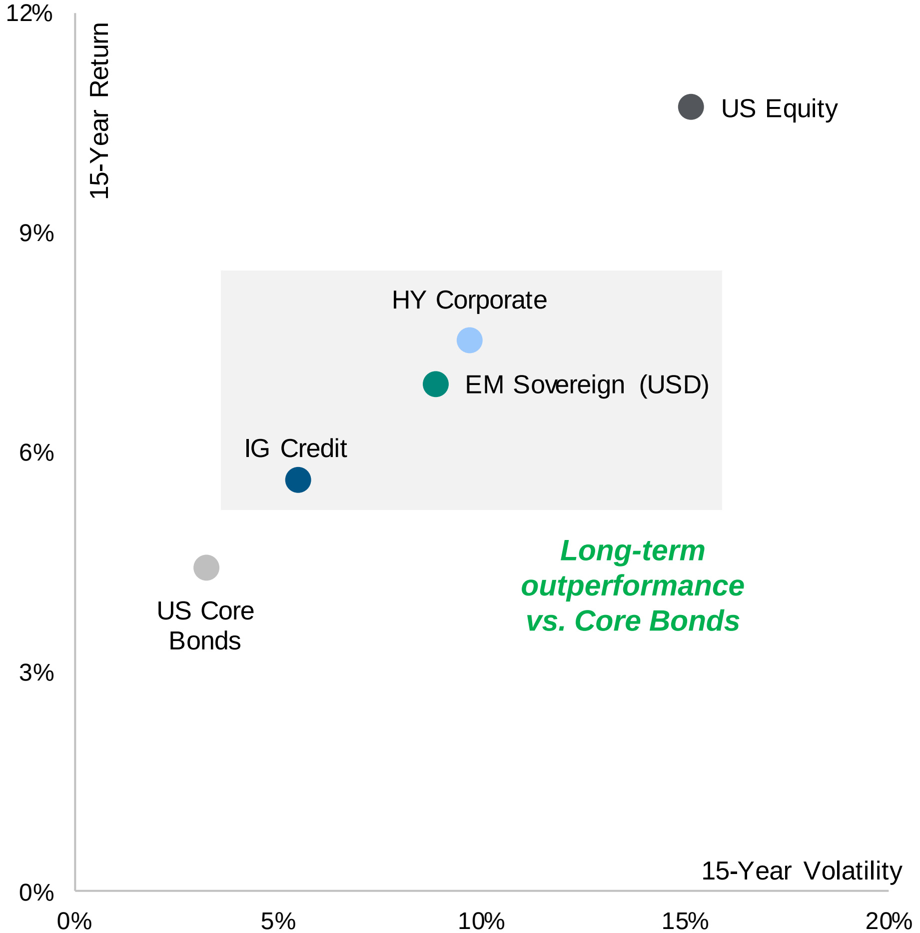
Refer to Appendix for additional index , investment strategy and risk information.

The value of multi-sector credit mandates and manager consolidation

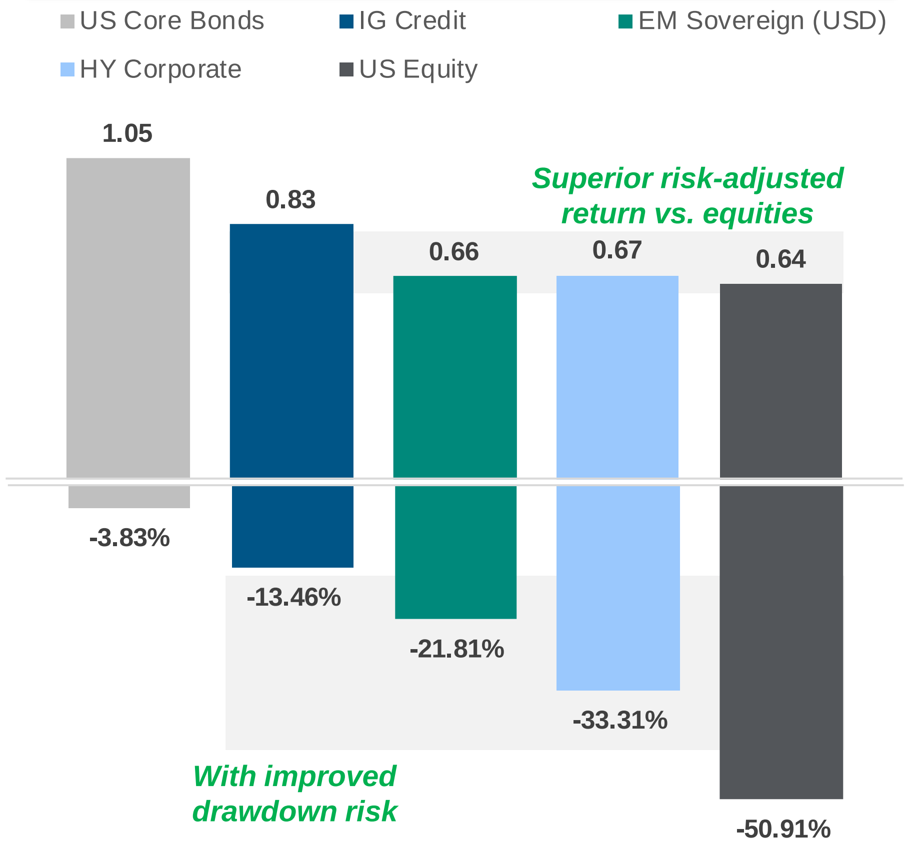
Credit has provided higher absolute returns than core bonds and better risk-adjusted returns than equities

15-year return, volatility and Sharpe ratios across asset classes

15-Year Realized Return and Volatility



15-Year Sharpe Ratios and Max Drawdown



Data as of 30 June 2021. SOURCE: PIMCO.

Benchmarks: **US Core Bonds**: BBG US Aggregate Index; **IG Credit**: BBG US Aggregate Credit Index; **HY Corporate:** BBG US Corporate High Yield Index; **EM Sov.**: JPM EMBI Index; **US Equity**: S&P 500 Index.

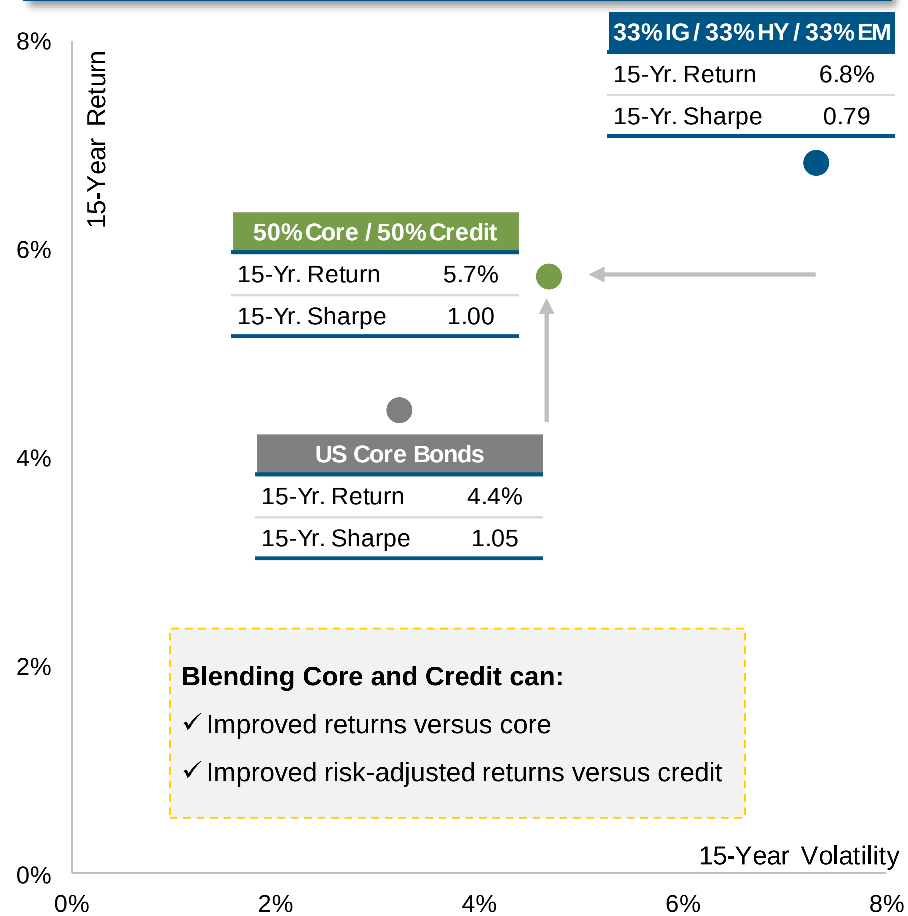
It is not possible to invest directly in an unmanaged index. Volatility is measured in standard deviation.

Refer to Appendix for additional investment strategy, index, portfolio analysis, and risk information.

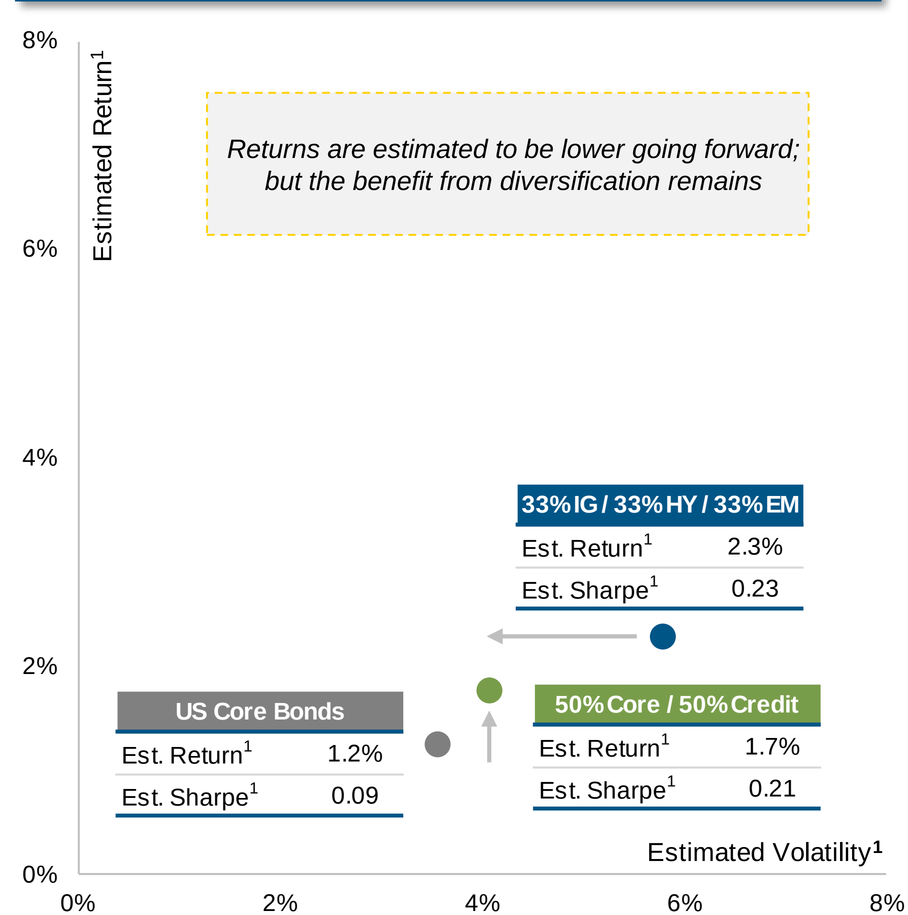
When diversified credit exposure is paired with core bonds, risk-adjusted returns can be much higher than stand-alone credit

On a forward looking basis, we expect credit to add meaningful returns above core but still benefit from the diversification provided by high quality fixed income

15-Year Realized Return and Volatility



5-Year Forward-Looking Return and Volatility[1]



Data as of 30 June 2021. SOURCE: PIMCO. **Hypothetical example for illustrative purposes only.**

[1] Unless otherwise specified, return estimates are an average annual return over a 5-year horizon. See Appendix for additional information regarding volatility estimates.

Benchmarks: **US Core Bonds**: BBG US Aggregate Index; **IG Credit**: BBG US Aggregate Credit Index; **HY Corporate:** BBG US Corporate High Yield Index; **EM Sov.**: JPM EMBI Index.

50% Credit is comprised of the equal weighted 1/3 allocation across IG, HY, and EM.

Refer to Appendix for additional forecast, hypothetical example, index, investment strategy, portfolio analysis, return assumption, and risk information.

Why PIMCO for multi-sector strategies?

Why PIMCO in Multi-Sector Credit?

Strong track record of risk-adjusted returns and breadth of resources across the credit platform

	Key Differentiating Factors	Implications for Client Experience
1	Broad Resources and Integrated Investment Team	Cohesive approach encourages collaboration and risk factor diversification, while avoiding drawbacks of "sleeved" sector allocations
2	Seasoned Portfolio Management Team with Experience Navigating Cycles	Lead PMs have 90+ years of combined experience and average tenure of 15+ years at PIMCO
3	Deep Experience in Flexible Credit / Fixed Income Strategies	Strong track record of risk-adjusted returns across Investment Grade, High Yield and Emerging Markets
4	Robust Analytics and Credit Research Resources	PIMCO's team includes 75+ credit research analysts and 60+ analytics analysts covering all aspects of the credit spectrum
5	Presence Across Risk Spectrum	Bolsters asset selection process to identify risk/reward across capital structures and resilient risk profiles

As of 30 June 2021. SOURCE: PIMCO

Refer to Appendix for additional investment strategy and risk information.

Multi-Sector Credit investment team

Large and experienced team across portfolio management, corporate research, portfolio analytics and risk management

GLOBAL INVESTMENT COMMITTEE	REGIONAL INVESTMENT COMMITTEES	GLOBAL ADVISORY BOARD

PORTFOLIO MANAGEMENT TEAM

Dan J. Ivascyn

Group CIO, Managing Director
Co-lead Portfolio Manager
29 yr investment experience

Alfred T. Murata, J.D., Ph.D.

Managing Director
Co-lead Portfolio Manager
21 yr investment experience

Eve Tournier

Managing Director
Co-lead Portfolio Manager
23 yr investment experience

Sonali Pier

Managing Director
Co-lead Portfolio Manager
18 yr investment experience
Winner of Morningstar's 2021 U.S. Award for Investing Excellence in the Rising Talent Category

Global public corporate credit	Credit research analysis	Distressed & private credit	Emerging markets	Securitized/Asset backed	Municipals
41 PMs/Traders	75+ analysts	15 PMs	27 PMs	60 PMs	13 PMs
20yr average experience	15yr average experience	14yr average experience	16yr average experience	17yr average experience	11yr average experience

Rates	Cash management	Global economists	Portfolio analytics	Risk management
21 PMs	13 PMs/Traders	4 economists	65 analysts	14 risk managers
16yr average experience	18yr average experience	16yr average experience	15yr average experience	12yr average experience

As of 30 June 2021
Morningstar U.S. Awards for Investing Excellence 2021, Rising Talent Award presented to Sonali Pier as an up-and-coming manager in Morningstar's coverage universe. ©2021 Morningstar, Inc.

Integrated approach to portfolio management

Credit Research Analysts

- Establish fundamental view on individual credits and provide independent rating
- Proactively evaluate credit issuers on a forward looking basis
- Stress test balance sheets and income statements

Specialty Desks

- Express investment view in most efficient and attractive manner
- Highlight attractive opportunities within their respective industries
- Maintain broker relationships to ensure best execution

Lead Portfolio Managers

Responsible for:

- Overall portfolio risk and performance
- Sector allocations and individual security selection
- All buys, sells and position sizes

Credit Analytics

- Collaborate with PMs on portfolio construction
- Provide quantitative analysis across term structure, currencies, and instrument types

Risk Management

- Continuously monitor portfolios to confirm risk exposures are consistent with intended profile
- Stress test portfolio for different scenarios to ensure adequate parameters

For illustrative purposes only

SOURCE: PIMCO

Refer to Appendix for additional investment strategy information

Multi-Sector Credit investment process

Designed to integrate PIMCO's macroeconomic views with best bottom up ideas

TOP-DOWN

Macroeconomic Themes

Secular Forum | Cyclical Forum | Investment Committee

Multi-Sector Credit PM Team

Sector and regional specialty desks

Credit Research

BOTTOM-UP

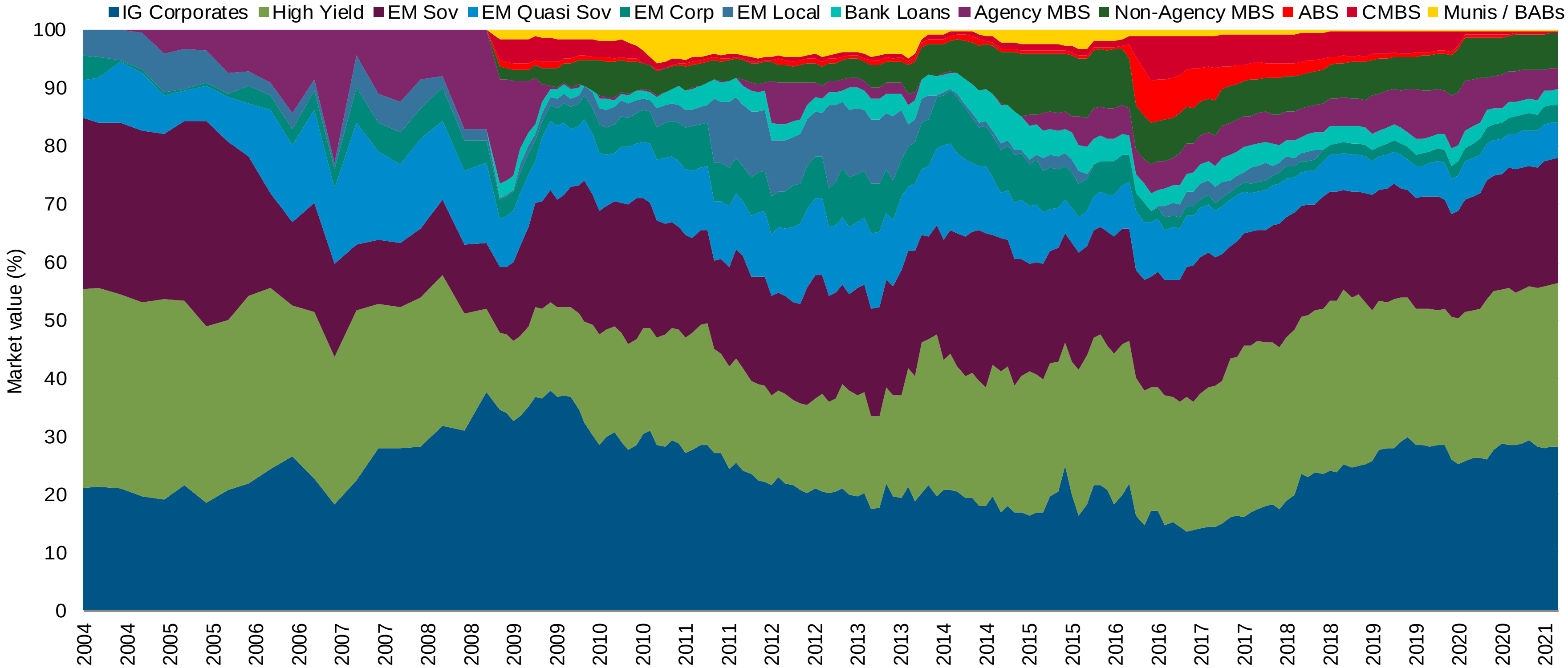
Portfolio construction
Model portfolio consistency
Portfolio guidelines
Valuations
Instrument selection
Credit selection
Risk controls
Liquidity

For illustrative purposes only.
Refer to Appendix for additional investment strategy and risk information.

Historical sector positioning

Flexibility to adjust based on PIMCO views, opportunities and market environment

PIMCO Diversified Income Representative Account sector exposure[1]



	IG Corporates	High Yield	EM Sov	EM Quasi Sov	EM Corp	EM Local	Bank Loans	Agency MBS	Non-Agency MBS	ABS	CMBS	Munis / BABs
Max	38%	34%	36%	21%	10%	14%	7%	23%	11%	8%	8%	6%
Min	14%	13%	11%	5%	0%	0%	0%	0%	0%	0%	0%	0%
Average	24%	23%	20%	9%	4%	3%	3%	4%	5%	1%	2%	2%
Current	28%	28%	22%	6%	3%	0%	3%	4%	6%	0%	0%	0%

As of 30 June 2021. SOURCE: PIMCO.

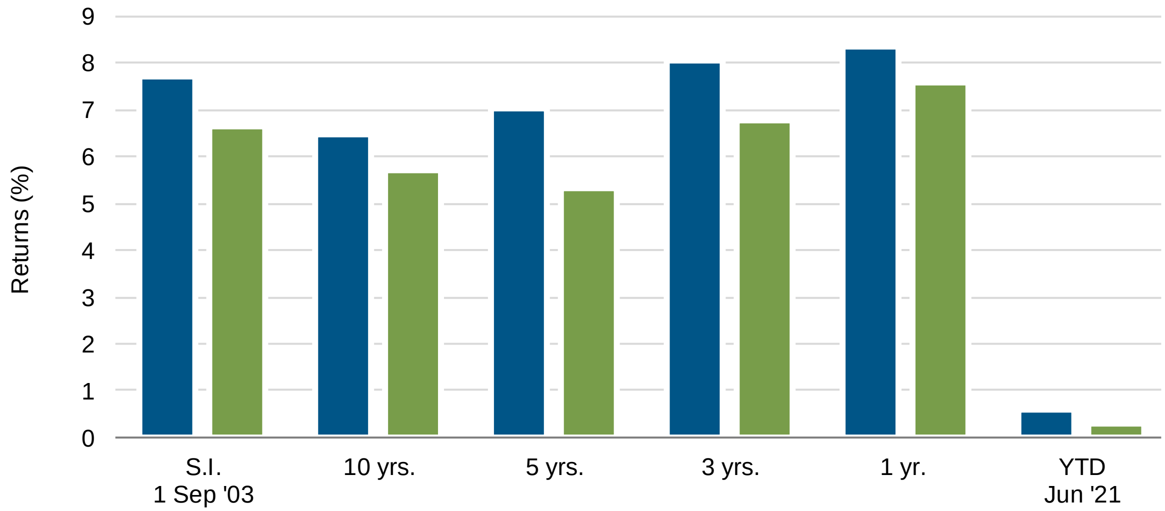
[1]Excl. liabilities, unsettled trades with prorated percentage based on the portfolio allocations to: EM, corp, HY, Munis, Treasuries, Tips, Mtgs etc.

The above information is based on a representative account. An investor should refer to the GIPS Composite Report for the PIMCO Diversified Income Composite included in the back of this presentation. GIPS® is a registered trademark owned by CFA Institute.

Refer to Appendix for additional portfolio structure, representative account and risk information.

Diversified Income Composite Performance
History of strong performance across multiple cycles

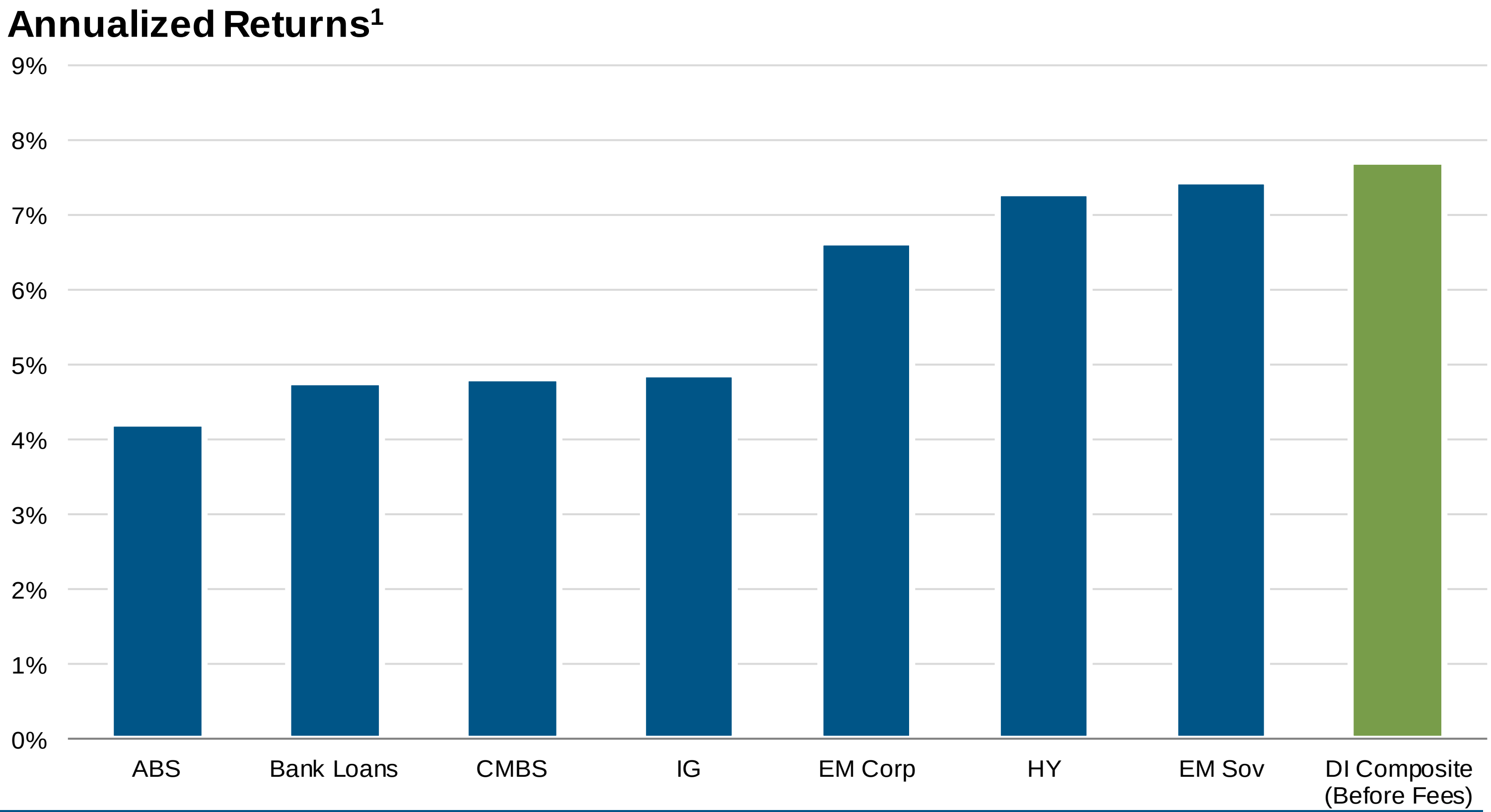
Periods ended 30 Jun '21



	S.I. 1 Sep '03	10 yrs.	5 yrs.	3 yrs.	1 yr.	YTD Jun '21
■ Before fees (%)	7.71	6.48	7.01	8.05	8.36	0.61
After fees (%)	6.96	5.75	6.29	7.32	7.62	0.27
■ 1/3EMBIGBI 1/3 ICE MLBB 1/3GlblAggCred (%)	6.63	5.71	5.33	6.78	7.56	0.30
Before fees alpha (bps)	108	77	168	127	80	31

Performance as of 30 June 2021. **Past performance is not a guarantee or a reliable indicator of future results.** Benchmark: Equally weighted blend of the following three indices: Bloomberg Global Aggregate Credit Ex EM Index (USD hedged), BofA Merrill Lynch High Yield BB-B Rated Constrained Developed Market Only Index (USD hedged), JPMorgan EMBI Global. Previous secondary benchmark: Equally weighted blend of the following three indices: Bloomberg Global Aggregate Credit (USD Hedged), BofA Merrill Lynch Global High Yield BB-B 2% Constrained (USD Hedged), and JPMorgan Emerging Markets Bond Index Global
Refer to Appendix for additional performance and fee, composite, index, and risk information.

PIMCO's time-tested approach to multi-sector credit investing has produced attractive *risk-adjusted* returns



	ABS	Bank Loans	CMBS	IG	EM Corp	HY	EM Sov	DI Composite (Before Fees)
Annualized Return	4.21%	4.76%	4.82%	4.87%	6.63%	7.30%	7.44%	**7.71%**
Annualized Volatility[2]	2.96%	6.73%	7.67%	4.12%	7.78%	8.65%	8.51%	**6.40%**
Sharpe Ratio	1.00	0.55	0.49	0.88	0.71	0.72	0.75	**1.01**

As of 30 June 2021. **Past performance is not a guarantee or a reliable indicator of future results**

[1] Since Diversified Income (DI) Composite Inception: 8/31/2003.

[2]Volatility is calculated using the standard deviation of monthly returns.

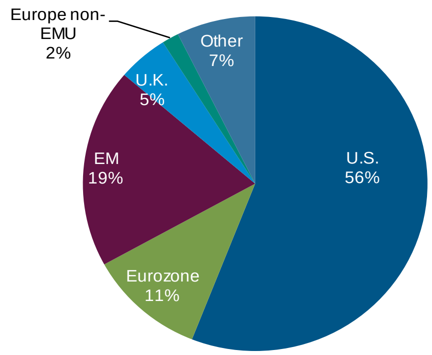
Source: ABS is represented by the Bloomberg Global Aggregate Asset Backed Index, CMBS is represented by the Bloomberg Global Aggregate CMBS Index, Bank Loans are represented by the CSFB Leveraged Loan Index, Investment Grade is represented by the Bloomberg Global Aggregate Credit Index, High Yield is represented by the BofA Merrill Lynch BB-B Rated Developed Markets High Yield Index, EM Sovereigns are represented by the JPMorgan EMBIG Diversified Composite, and EM Corporates are represented by the JPMorgan CEMBI Broad Composite

Refer to Appendix for additional performance and fee, composite, chart, index and risk information

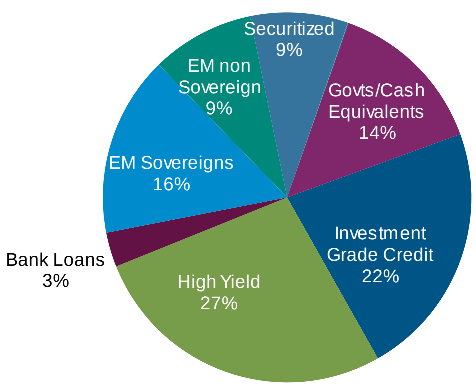
PIMCO Diversified Income Representative Account

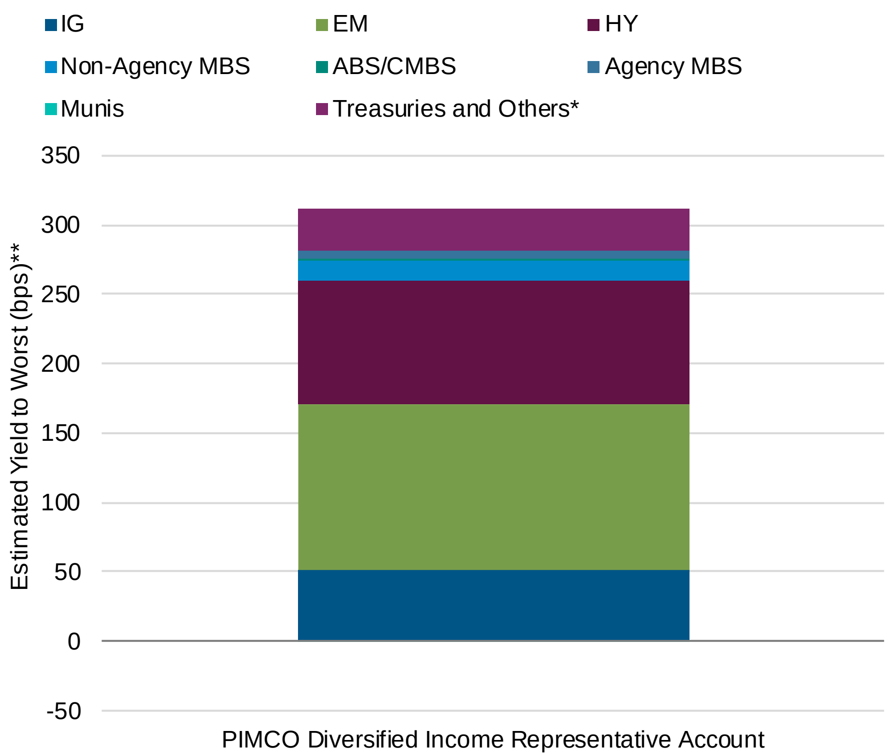
Portfolio positioning

Allocations by Region (% market value)



Allocations by Sector (% market value)





Past performance is not a guarantee or a reliable indicator of future results.

As of 30 June 2021. SOURCE: PIMCO.

*Others includes covered bonds, international, supranational, agencies/swaps, government guaranteed, cash equivalents, converts/EQY/PFD, currency forwards, USD treasuries, and ARMs.

**Yield to Worst (YTW) is the estimated lowest potential yield that can be received on a bond without the issuer actually defaulting. The YTW is calculated by making worst-case scenario assumptions by calculating the returns that would be received if provisions, including prepayment, call, or sinking fund, are used by the bond's issuer. PIMCO calculates a Fund's Estimated YTW by averaging the YTW of each security held in the Fund on a market-weighted basis. PIMCO pulls each security's YTW from PIMCO's Portfolio Analytics database. In general, the calculation will incorporate the yield based on the notional value of all derivative instruments held by a Fund. The measure does not reflect the deduction of fees and expenses and is not necessarily indicative of the Fund's worst possible performance.

The above information is based on a representative account. An investor should refer to the GIPS Composite Report for the PIMCO Diversified Income Composite included in the back of this presentation. GIPS® is a registered trademark owned by CFA Institute.

Refer to Appendix for additional portfolio structure, representative account and risk information

Solutions orientation/Customizability:

Multi-sector credit strategies can be customized to help take advantage of opportunities wherever and whenever they occur

Multi-sector credit strategies can be customized to achieve desired investment objectives according to:

- Return / volatility optimization
- Defined opportunity set
- ESG factors
- Ratings constraints
- Geographic preferences
- Duration targets
- Derivatives usage
- Liquidity needs
- Other customized factors

Recent customized mandates

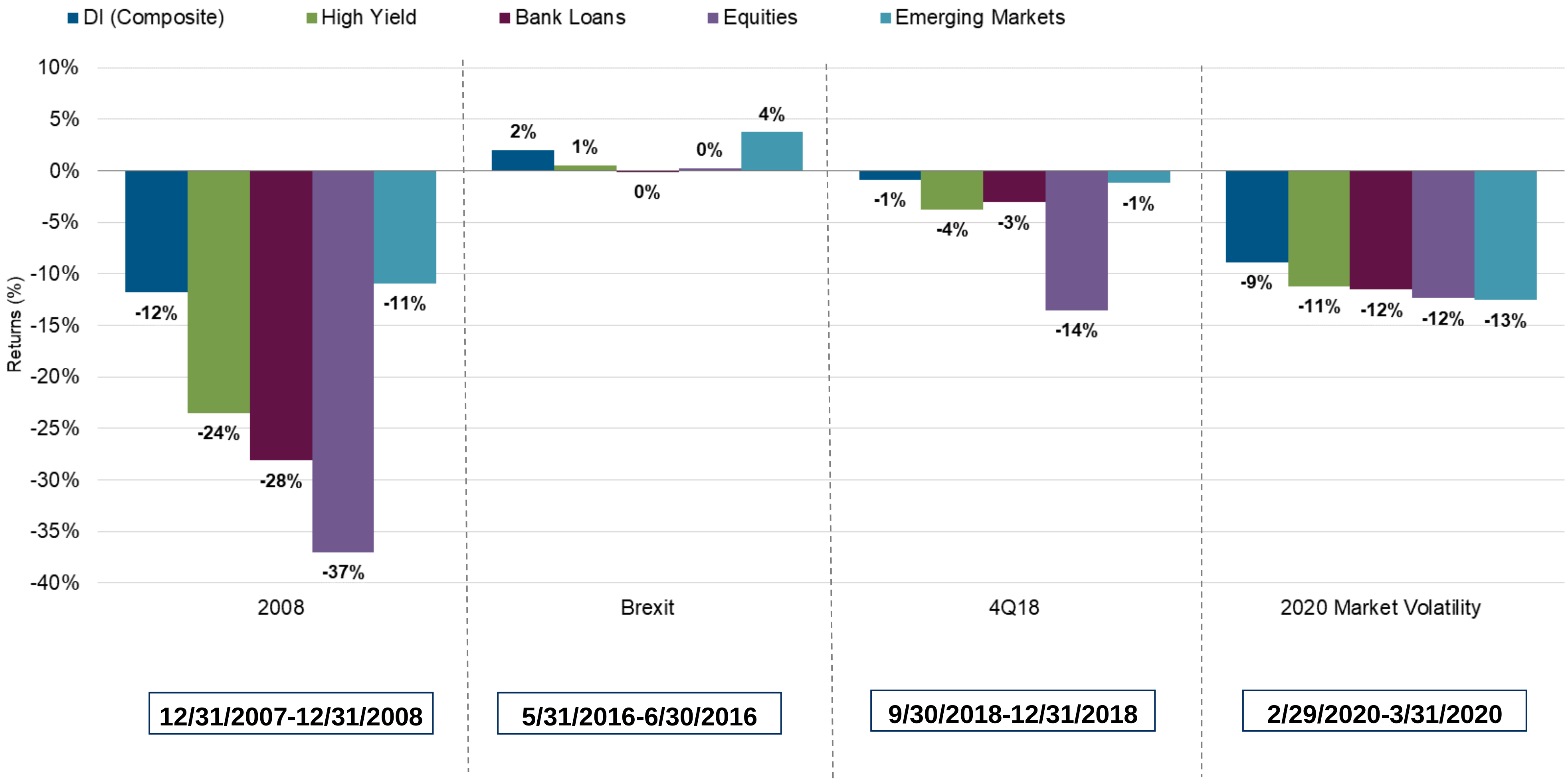
ESG	60% **IG ESG**, 20% **HY ESG**, 20% **EM ESG**
Agency MBS:	25% IG, 25% HY, 25% EM, **25% MBS**
Crossover	50% **IG**, 50% **HY**
EM Local:	50% HY, 25% EM, **25% EM Local**
Core bonds:	50% IG, 10% EM, **25% U.S. Govt, 15% Non-U.S. Govt**
High Quality:	**70% IG 1-5 yr, 10% HY BB, 20% EM BB- and above**
Bank Loans:	1/3 HY, 1/3 EM, **1/3 Bank Loans**
Low Duration	10% IG **1-5yr**, 35% HY **1-5yr**, 15% CMBS, 35% EM **1-5yr**, 5% CLO

- **$34bn** in Multi-sector Credit AUM
- Managed to roughly **30** different benchmarks

PIMCO has a long track record of partnering with clients to help them achieve their objectives

SOURCE: PIMCO
For illustrative purposes only
30 June 2021
Refer to Appendix for investment strategy, portfolio structure, strategy availability and risk information

Diversified Income (DI) has shown its resiliency in periods of market stress



As of 30 June 2021

Past performance is not a guarantee or a reliable indicator of future results

Performance shown is total returns for the Diversified Income composite net of fees.

Source: PIMCO, High Yield represented by the ICE BofAML BB-B Developed Market HY Index, Equities represented by the S&P 500, and Bank Loans represented by the JPM BB/B Leveraged Loan Index, Emerging Markets represented by JPM EMBIG Index

Refer to Appendix for additional performance and fee, chart, composite, index and risk information.

Current Investment Themes

Risk Posture	Characteristics
	✓ Strong cyclical rebound ✓ Spreads' retracement ✓ Inflation concerns

Positioning: A balance between Caution and High Conviction

What's happening and outlook

- Strong global recovery in 2021 amid peak fiscal support, accommodative monetary policy, diminishing lockdowns, and accelerating vaccinations
- Asset prices have rebounded quickly since the Covid drawdown, with valuations close to fair across most sectors. That said bottom-up and relative value opportunities remain
- Markets may remain focused on inflation risks in the near term, leading to potential volatility
- In this uncertain environment, we seek to maintain portfolio flexibility and liquidity to be able to respond to events as they unfold

What we like

Financials

- Strong balance sheet fundamentals

Up-in-quality high yield

- Cash generative non-cyclical industries, e.g. cable/media
- Fallen angel opportunities amid positive rating momentum

COVID impacted issuers, selectively

- COVID-impacted sectors where we see strong balance sheet resilience

Asia Credit

- High growth prospects paired with attractive valuations

Non-Agency mortgages

- Diversification and downside resilience

What we don't like

Vulnerable high yield

- Commodity-related sectors
- Cyclicals and highly-levered companies

Highly indebted, illiquid and tourism-dependent EM sovereigns

- Weaker Emerging Market sovereigns, particularly those lagging behind on vaccinations

Tight trading investment grade with limited upside

What we're watching

Macro & markets:

- Evolution of Covid-19 infection curves
- Vaccine roll-outs and availability
- Speed of lockdown measures being lifted and potential for further re-introductions
- Evolving monetary and fiscal response
- Valuations

As of June 2021. Source: PIMCO.
Refer to the appendix for additional outlook and risk information.

Global credit research team

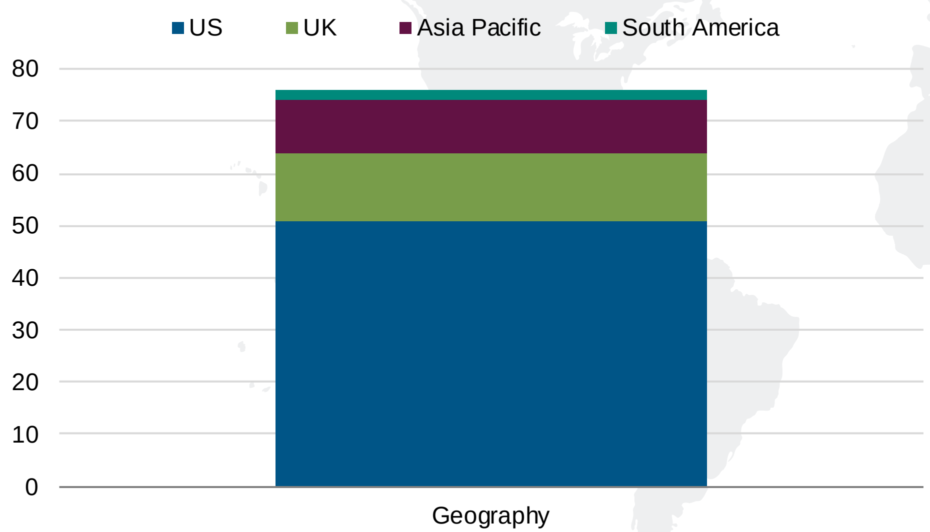
Analysts cover the full credit quality spectrum to provide fundamental views

- Analysts cover issuers **across the rating spectrum** and capital structure
- Independently rate **~4,000** corporate issuers and **~1/3rd of internal ratings differ** from agencies
- **75+** credit research analysts, including **14** distressed analysts
- **40+** industries covered, **14 years** average investment experience

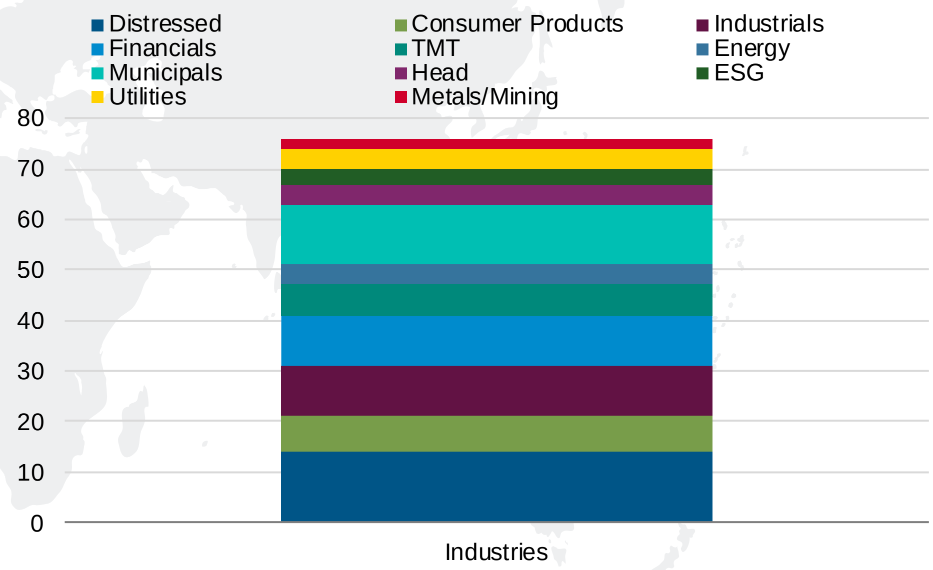
Christian Stracke
Head of Global Credit Research

John Devir Head of Americas Credit Research (52 analysts)	**Philippe Bodereau** Head of European Credit Research (16 analysts)	**Annisa Lee** Head of Asia Credit Research (8 analysts)

Credit Analysts by Geography



Credit Analysts by Coverage Area



As of 31 July 2021

Conclusion

Summary

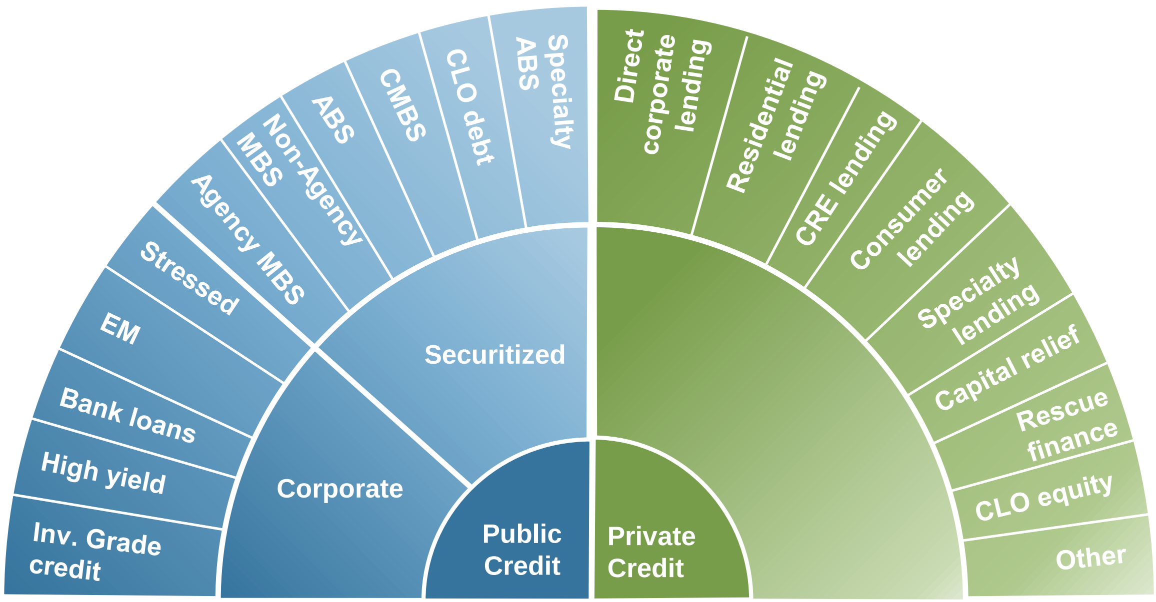
- We believe fixed income still has a key role to play in portfolios
- In the current low rate environment, alpha has become even more important
- Credit can be additive on a risk-adjusted basis, but because expertise and flexibility are vital, it is best implemented by a unified, multi-sector approach
- We believe PIMCO has the best platform for managing such a mandate

Appendix

Deep presence across the capital and liquidity spectrum

- 260+ portfolio management resources, including 130+ portfolio managers/analysts dedicated to credit
- $600bn+ AUM credit platform structured to benefit from scale
- Globally integrated credit research covering the full credit quality spectrum, including distressed
- Size helps us to drive value across new issues, reverse inquiry and through restructurings
- Risk and analytics frameworks are utilized across the liquidity spectrum

An integrated credit platform that spans the liquidity spectrum across key credit verticals



As of 30 June 2021
AUM includes $580bn dedicated public credit assets and $33.3bn dedicated alternative credit assets. Alternative Credit AUM may include both reported and previous quarter data due to data availability limitations.
The above is presented for **illustrative purposes only**, as a general example of the type of credit investments that PIMCO invests in across the liquidity spectrum and sheds light on PIMCO's current capabilities in sourcing, modeling and managing such investments (which may evolve over time).
Refer to Appendix for additional investment strategy and risk information.

Appendix: Indices and data points used for market dashboard

Indices Used

Asset Class	Name	Ticker
Agency MBS	BBG BC US Fixed-rate MBS	LD10TRUU
US Agency Debt	BBG BC US Agency Debt	BUAGTRUU
Agency CMBS	BBG BC US Agency CMBS	LUCMTRUU
IG Munis	BBG BC Muni Bond	LMBITR
IG Corp	BBG BC US Corporate	LUACTRUU
IG Credit: BBB	BBG BC US Credit Baa	LUBATRUU
EM IG Sov.	JPM EMBI IG Global	JPEGIG
EM IG Corp.	JPM CEMBI IG Global Div.	JCMDIGIG
HY Munis	BBG BC HY Muni Bond	LMHYTR
HY Corp: BB	BBG BC US Corp HY Ba	BCBATRUU
HY Corp: B	BBG BC US Corp HY B	BCBHTRUU
HY ex-Energy	BBG BC US HY ex Energy	BHYXTRUU
EM HY Sov.	JPM EMBI HY Global Div.	JPEGHY
EM HY Corp.	JPM CEMBI HY Global Div.	JCMDNOIG

Data Definitions

Data Point	Definition
OAS *(Historical monthly)*	Option-adjusted spread; Solves for the spread over the treasury curve that will make the theoretical security price equal to the current price. Municipal OAS is the difference of unajusted muni YTW and treasury YTW. For JPM indices we use the relevant spread index. Provided by Bloomberg.

Appendix

PERFORMANCE AND FEES

Past performance is not a guarantee or a reliable indicator of future results. Gross returns do not reflect the deduction of investment advisory fees (for Pacific Investment Management Company LLC described in Part 2 of its Form ADV) in the case of both separate investment accounts and mutual funds; but they do reflect commissions, other expenses (except custody), and reinvestment of earnings. Such fees that a client may incur in the management of their investment advisory account may reduce the client's return. The “net of fees" performance figures reflect reinvestment of earnings and dividends and the deduction of investment advisory fees and brokerage commissions but, typically, do not reflect the deduction of custodial fees. All periods longer than one year are annualized. Separate account clients may elect to include PIMCO sector funds in their portfolio; sector funds may be subject to additional terms and fees.

CHART

Performance results for certain charts and graphs may be limited by date ranges specified on those charts and graphs; different time periods may produce different results.

COMPOSITE

Composite performance is preliminary until the 12th business day of the month.

CORRELATION

The correlation of various indexes or securities against one another or against inflation is based upon data over a certain time period. These correlations may vary substantially in the future or over different time periods that can result in greater volatility.

CREDIT QUALITY

The credit quality of a particular security or group of securities does not ensure the stability or safety of an overall portfolio. The quality ratings of individual issues/issuers are provided to indicate the credit-worthiness of such issues/issuer and generally range from AAA, Aaa, or AAA (highest) to D, C, or D (lowest) for S&P, Moody’s, and Fitch respectively.

HYPOTHETICAL EXAMPLE

HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM.

ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

INVESTMENT STRATEGY

There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest for a long-term especially during periods of downturn in the market. No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those shown.

ISSUER

The issuers referenced are examples of issuers PIMCO considers to be well known and that may fall into the stated sectors. References to specific issuers are not intended and should not be interpreted as recommendations to purchase, sell or hold securities of those issuers. PIMCO products and strategies may or may not include the securities of the issuers referenced and, if such securities are included, no representation is being made that such securities will continue to be included.

Appendix

MORNINGSTAR CATEGORIES

HIGH-YIELD BOND

High-yield bond portfolios concentrate on lower-quality bonds, which are riskier than those of higher-quality companies. These portfolios generally offer higher yields than other types of portfolios, but they are also more vulnerable to economic and credit risk. These portfolios primarily invest in U.S. high-income debt securities where at least 65% or more of bond assets are not rated or are rated by a major agency such as Standard & Poor's or Moody's at the level of BB (considered speculative for taxable bonds) and below.

INTERMEDIATE-TERM BOND

Intermediate-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and typically have durations of 3.5 to 6.0 years. These portfolios are less sensitive to interest rates, and therefore less volatile, than portfolios that have longer durations. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Intermediate-term is defined as 75% to 125% of the three-year average effective duration of the MCBI.

INTERMEDIATE-TERM CORE-PLUS BOND

Intermediate-term core-plus bond portfolios invest primarily in investment-grade U.S. fixed-income issues including government, corporate, and securitized debt, but generally have greater flexibility than core offerings to hold non-core sectors such as corporate high yield, bank loan, emerging-markets debt, and non-U.S. currency exposures. Their durations (a measure of interest-rate sensitivity) typically range between 75% and 125% of the three-year average of the effective duration of the Morningstar Core Bond Index.

ULTRASHORT BOND

Ultrashort-bond portfolios invest primarily in investment-grade U.S. fixed-income issues and have durations typically of less than one year. This category can include corporate or government ultrashort bond portfolios, but it excludes international, convertible, multisector, and high-yield bond portfolios. Because of their focus on bonds with very short durations, these portfolios offer minimal interest-rate sensitivity and therefore low risk and total return potential. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Ultrashort is defined as 25% of the three-year average effective duration of the MCBI.

FOREIGN LARGE BLEND

Foreign large-blend portfolios invest in a variety of big international stocks. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios typically will have less than 20% of assets invested in U.S. stocks.

SMALL BLEND

Small-blend portfolios favor U.S. firms at the smaller end of the market-capitalization range. Some aim to own an array of value and growth stocks while others employ a discipline that leads to holdings with valuations and growth rates close to the small-cap averages. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate.

DIVERSIFIED EMERGING MARKETS

Diversified emerging-markets portfolios tend to divide their assets among 20 or more nations, although they tend to focus on the emerging markets of Asia and Latin America rather than on those of the Middle East, Africa, or Europe. These portfolios invest predominantly in emerging market equities, but some funds also invest in both equities and fixed income investments from emerging markets.

OAS

The option adjusted spread (OAS) measures the spread over a variety of possible interest rate paths. A security's OAS is the average return an investor will earn over Treasury returns, taking all possible future interest rate scenarios into account.

OUTLOOK

Statements concerning financial market trends are based on current market conditions, or are appropriate for all investors which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions, and each investor should evaluate their ability to invest for the long-term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.

PORTFOLIO ANALYSIS

The portfolio analysis is based on indices and no representation is being made that the structure of the average portfolio or any account will remain the same or that similar returns will be achieved. Results shown may not be attained and should not be construed as the only possibilities that exist. Different weightings in the asset allocation illustration will produce different results. Actual results will vary and are subject to change with market conditions. There is no guarantee that results will be achieved. No fees or expenses were included in the estimated results and distribution. The scenarios assume a set of assumptions that may, individually or collectively, not develop over time. The analysis reflected in this information is based upon data at time of analysis. Forecasts, estimates, and certain information contained herein are based upon proprietary research and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product.

PIMCO routinely reviews, modifies, and adds risk factors to its proprietary models. Due to the dynamic nature of factors affecting markets, there is no guarantee that simulations will capture all relevant risk factors or that the implementation of any resulting solutions will protect against loss. All investments contain risk and may lose value. Simulated risk analysis contains inherent limitations and is generally prepared with the benefit of hindsight. Realized losses may be larger than predicted by a given model due to additional factors that cannot be accurately forecasted or incorporated into a model based on historical or assumed data.

Appendix

PORTFOLIO STRUCTURE
Portfolio structure is subject to change without notice and may not be representative of current or future allocations.

REPRESENTATIVE ACCOUNT
The accounts were chosen because they are considered to be the largest and most representative examples of the underlying strategies. No guarantee is being made that the structure or actual account holdings of any account will be the same or that similar returns will be achieved. PIMCO may or may not own the securities referenced and, if such securities are owned, no representation is being made that such securities will continue to be held.

RETURN ASSUMPTION
Return assumptions are for illustrative purposes only and are not a prediction or a projection of return. Return assumption is an estimate of what investments may earn on average over the long term. Actual returns may be higher or lower than those shown and may vary substantially over shorter time periods.

RISK
Investing in the **bond** market is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and the current low interest rate environment increases this risk. Current reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. **High-yield, lower-rated, securities** involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. Investing in **foreign denominated and/or domiciled securities** may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. **Sovereign securities** are generally backed by the issuing government, obligations of U.S. Government agencies and authorities are supported by varying degrees but are generally not backed by the full faith of the U.S. Government; portfolios that invest in such securities are not guaranteed and will fluctuate in value. **Mortgage and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and while generally backed by a government, government-agency or private guarantor there is no assurance that the guarantor will meet its obligations. **Derivatives** may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested. Diversification does not ensure against loss. Investors should consult their investment professional prior to making an investment decision.

STRATEGY AVAILABILITY
Strategy availability may be limited to certain investment vehicles; not all investment vehicles may be available to all investors. Please contact your PIMCO representative for more information.

STRESS TESTING
Stress testing involves asset or portfolio modeling techniques that attempt to simulate possible performance outcomes using historical data and/or hypothetical performance modeling events. These methodologies can include among other things, use of historical data modeling, various factor or market change assumptions, different valuation models and subjective judgments.

VOLATILITY ESTIMATES

We employed a block bootstrap methodology to calculate volatilities. We start by computing historical factor returns that underlie each asset class proxy from January 1997 through the present date. We then draw a set of 12 monthly returns within the dataset to come up with an annual return number. This process is repeated 25,000 times to have a return series with 25,000 annualized returns. The standard deviation of these annual returns is used to model the volatility for each factor. We then use the same return series for each factor to compute covariance between factors. Finally, volatility of each asset class proxy is calculated as the sum of variances and covariance of factors that underlie that particular proxy. For each asset class, index, or strategy proxy, we will look at either a point in time estimate or historical average of factor exposures in order to determine the total volatility. Please contact your PIMCO representative for more details on how specific proxy factor exposures are estimated.

Appendix

INDEX DESCRIPTIONS

The Bloomberg Global Aggregate Credit Component ex Emerging Markets (USD Hedged) provides a broad-based measure of the global developed markets investment-grade fixed income markets. The BofA Merrill Lynch Global High Yield, BB-B Rated Constrained Developed Markets Index (USD Hedged) tracks the performance of below investment grade bonds of corporate issuers domiciled in developed market countries rated BB1 through B3, based on an average of Moody's, S&P and Fitch. Qualifying bonds are capitalization-weighted provided the total allocation to an individual issuer (defined by Bloomberg tickers) does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face value of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. The index is rebalanced on the last calendar day of the month. The JPMorgan EMBI Global (USD Hedged) tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities, Brady bonds, loans, Eurobonds and local market instruments.

The Bloomberg Global Aggregate Credit Index is the credit component of the Bloomberg Barclays Aggregate Index. The Bloomberg Barclays Aggregate Index is a subset of the Global Aggregate Index, and contains investment grade credit securities from the U.S. Aggregate, Pan-European Aggregate, Asian-Pacific Aggregate, eurodollar, 144A and euro-Yen indices. The Bloomberg Barclays Global Aggregate Index covers the most liquid portion of the global investment grade fixed-rate bond-market, including government, credit and collateralized securities. The liquidity constraint for all securities in the index is $300 million. The index is denominated in U.S. dollars.

The Bloomberg Global Aggregate Securitized CMBS Index is the CMBS component of the Bloomberg Barclays Global Aggregate Index.

The Bloomberg Global Aggregate Securitized ABS Index is the ABS component of the Bloomberg Barclays Global Aggregate Index.

Bloomberg Global Credit Hedged USD contains investment grade and high yield credit securities from the Multiverse represented in U.S. dollars on a hedged basis, (Multiverse is the merger of two groups: the Global Aggregate and the Global High Yield).

The Credit Suisse Leveraged Loan Index is a monthly rebalanced index, with an inception date of 31 December 1991. It is designed to mirror the investable universe of the USD-denominated leveraged loan market. This index includes loan facilities rated "5B" or lower, i.e. the highest Moody's/S&P ratings are Baa1/BB+ or Ba1/BBB+, with the tenor being at least one year. Issuers from developed countries are included; issuers from developing countries are excluded. This index is composed of all fully funded term loan facilities trading in the syndicated loan market, the price of each loan facility is sourced from a pricing vendor widely used by buy-side participants in the leveraged loan markets. All prices are evaluated by the pricing vendor, meaning that they are compiled by the pricing vendor from dealers.

The JP Morgan Emerging Market Corporate Bond Index is a market capitalization weighted index consisting of USD-denominated emerging market corporate bonds.

The BofA Merrill Lynch Global High Yield BB-B Rated 2% Constrained Index tracks the performance of below investment grade bonds of below investment grade bonds of corporate issuers domiciled in countries having an investment grade foreign currency long term debt rating (based on a composite of Moody's, S&P, and Fitch). The index includes bonds denominated in US dollars, Canadian dollars, sterling, euro (or euro legacy currency), but excludes all multicurrency denominated bonds. Bonds must be rated below investment grade but at least B3 based on a composite of Moody's, S&P, and Fitch. Qualifying bonds are capitalization-weighted provided the total allocation to an individual issuer (defined by Bloomberg tickers) does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face value of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. The index is re-balanced on the last calendar day of the month. The inception date of the index is 31 December 31 1997.

The JPMorgan Emerging Markets Bond Index Global is an unmanaged index which tracks the total return of U.S.-dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady Bonds, loans, Eurobonds, and local market instruments.

The Bloomberg US CMBS Investment Grade Index measures the market of US Agency and

It is not possible to invest directly in an unmanaged index.

Diversified Income Composite

	Composite Return (%) Before Fees	Composite Return (%) After Fees	Benchmark Return (%)*	Composite Dispersion Before Fees	Composite 3-Yr Std Dev Before Fees	Benchmark 3-Yr Std Dev	Number of Portfolios	Composite Assets (USD) Millions	Total Firm Assets (USD) Billions
2020	8.19	7.46	6.60	1.10	7.06	7.64	11	25,532.2	2,188.1
2019	14.70	13.93	13.68	1.08	3.07	3.18	10	18,107.6	1,899.1
2018	-0.53	-1.20	-2.23	N/A	3.66	3.54	10	11,385.6	1,664.6
2017	9.29	8.55	7.29	N/A	4.54	3.89	Five or Fewer	11,925.1	1,755.7
2016	12.32	11.56	9.81	0.49	5.19	4.34	6	9,382.1	1,467.0
2015	0.49	-0.20	0.15	N/A	5.47	4.59	6	8,743.5	1,435.0
2014	4.45	3.73	5.48	N/A	5.12	4.76	Five or Fewer	10,962.6	1,680.4
2013	-0.08	-0.78	-0.35	N/A	5.49	5.33	Five or Fewer	18,504.3	1,919.6
2012	16.12	15.31	15.72	N/A	5.12	4.87	Five or Fewer	19,241.0	2,003.8
2011	5.48	4.75	5.92	N/A	6.97	6.24	Five or Fewer	9,223.1	1,357.2

Diversified Income Separate Account Fee Schedule:	
1st $100 Million	0.500%
Next $100 Million	0.450%
Thereafter	0.400%

* Blended benchmark

The composite was created in February 2004 and incepted in September 2003.

Pacific Investment Management Company LLC (PIMCO) is an investment adviser registered with the U.S. Securities and Exchange Commission that provides global investment solutions to institutions, individuals, and government entities worldwide. For GIPS compliance purposes, PIMCO has been defined to include the investment management activities of its affiliate PIMCO Europe GmbH (PEG) and the following subsidiaries: PIMCO Australia Pty Ltd, PIMCO Canada Corp., PIMCO Europe Ltd, PIMCO Japan Ltd, PIMCO Asia Pte Ltd, and PIMCO Asia Limited. In January 2010, the firm definition was expanded to include fixed income assets managed in collaboration with Allianz Global Investors (Allianz) using the PIMCO investment process. Prior to 2010, country-specific limitations restricted the full implementation of the PIMCO investment process for these assets. In March 2012, the firm definition was further expanded to include assets managed on behalf of Allianz’s affiliated companies. In addition, in October 2020, PIMCO and PEG acquired Allianz Real Estate, a leading global commercial real estate investment business; as a result, the firm definition includes assets managed by Allianz Real Estate GmbH and its subsidiaries.

PIMCO claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. PIMCO has been independently verified for the period January 1987 through December 2020. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark owned by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

The PIMCO Diversified Income Composite includes all discretionary, USD-based Diversified Income portfolios with a 100% USD hedged benchmark and a neutral sector allocation of 1/3 Global Investment Grade Credit, 1/3 Global High Yield, 1/3 Emerging Markets. PIMCO's Diversified Income portfolios employ a multi-sector strategy that invests across a broad spectrum of credit market sectors including global corporate credit (both investment grade and high yield) and emerging market debt. The allocation among each of these markets will vary based on PIMCO’s assessment of global trends and relative valuations. This active and dynamic approach allows for increased responsiveness in asset allocation to changing economic and market conditions while remaining anchored by PIMCO’s investment process and longer-term orientation. Futures, options, and swaps may be used to gain, hedge or restructure exposure to interest rates, volatility, spreads, foreign markets or currencies within the parameters allowed by individual portfolio guidelines. Risks of this strategy include, but are not limited to, interest rate, duration, currency, credit, economic and political, and derivative instruments risk. Investing in derivatives could result in losses that exceed the amount invested. Investing in high-yield, lower-rated, securities will generally involve greater risk than higher-rated securities, including greater levels of credit, call, and liquidity risk. Investing in foreign denominated and/or domiciled securities may involve heightened risk due to currency fluctuations, and economic and political changes, which may be enhanced when investing in emerging markets.

For comparison purposes, the composite is measured against an equally weighted blend, rebalanced monthly, of the following three indices: JPMorgan Emerging Markets Bond Index (EMBI) Global, ICE BofAML BB-B Rated Developed Markets High Yield Constrained Index and Bloomberg Barclays Global Aggregate Credit ex-Emerging Markets Index (all USD Hedged). The JPMorgan EMBI Global is an unmanaged index which tracks the total return of U.S.-dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, and Eurobonds. The ICE BofAML BB-B Rated Developed Markets High Yield Constrained Index contains all securities in the ICE BofAML Global High Yield Index from developed markets countries, but caps issuer exposure at 2%. The Bloomberg Barclays Global Aggregate Credit ex-Emerging Markets Index provides a broad-based measure of the global investment-grade fixed income markets, excluding emerging markets securities. The benchmark presented prior to December 2015 was an equally weighted blend, rebalanced monthly, of the following three indices: Bloomberg Barclays Global Aggregate Credit, ICE BofAML Global High Yield BB-B Rated Constrained, and JPMorgan EMBI Global (all USD Hedged).

Valuations are computed and performance is reported in U.S. dollars. Returns are presented gross and net of management fees and include the reinvestment of all income. Net results reflect the deduction of actual management fees and, in some instances, custodial and administrative fees. Actual fees incurred by client accounts may vary. When applicable, composite performance is net of any actual withholding tax paid and not reclaimable. Index returns are gross of withholding tax.

Composite dispersion presented is the equal-weighted standard deviation of annual returns for all portfolios in the composite for the full year. Dispersion is not statistically meaningful for periods shorter than a year or for years in which five or fewer portfolios were included for the full year. The three-year annualized ex-post standard deviation measures the variability of the composite returns and the benchmark returns over the preceding 36-month period. A complete list of composite descriptions, list of pooled fund descriptions for limited distribution pooled funds, and list of broad distribution pooled funds are available upon request, as well as policies for valuing investments, calculating performance, and preparing GIPS Reports.

This strategy has historically made material use of derivatives as substitutes for physical securities. Derivatives may be a more attractive substitute for the underlying physical securities in terms of price, liquidity, or other factors. Derivatives are used as a liquid means of adjusting duration and targeting specific areas of yield curve exposure, with potentially lower transaction costs compared to physical securities.

Past performance is not a guarantee or a reliable indicator of future results.